Sday May 23 14

PNANCIAL TIMES

Relief that France will not revive

France's industrial competitors are relieved at evidence that the new French government will not revive industrial inter-vention, despite the shift to the left marked by the arrival vention, use the left marked by the arrival of Mrs Edith Cresson as prime minister. Page 18 A TERRITA

intervention

Right wins election South Africa's right-wing Conservative Party won a by-elec-tion victory in Orange Free State in what political analysts described as a sign of bloody confrontation to come. Page 4

Poll against whaling Most people in Japan, a leading whaling nation, favour an end to the slaughter of the mam-mals, according to an opinion

Ing floo General killed Gunmen killed a retired Turk-

V. -225,

S. S. S.

ish army general in Ankara and wounded another and his and wounded anothern city of driver in the southern city of driver in the letter of dozens Adana in the latest of dozens of political attacks.

Soviet no more The republic of Moldavia has dropped the words Soviet and Socialist from its name to show its growing independence. Bor-der posts blaze, Page 3

> Friendship plea Argentina'e ambassador in Britain called for restoration of links between his country and the Falklands which were cut after the 1982 war.

Abortion ban upheld The US Supreme Court upheld by five votes to four regula-tions that bar federally-funded clinics from giving patients abortion advice, a victory for abortion opponents.

Rabbi blames Israel Britain's Chief Rabbi Immannel Jakobovits attacked Israel for "lording it" over the Palestinians, saying their legitimate aspirations could not be denied

Envoy recalled

The Ethiopian Embassy in Zimbabwe sald Ambassado Asrat Wolde, who met ousted president Mengistu Haile Maram when he fled to Harare, had been recalled to Addis-Ababa Viol Ababa. Violence by night,

Wine crop damaged An unseasonable frost last month destroyed 90 per cent of the wine crop of the Jura region of eastern France, the equivalent of 80,000 bottles, the National Office of Wine Professionals said.

EC agrees food aid The European Community finally agreed terms with Moscow on the delivery of Ecu250m (\$298m) worth of free food to the poor and needy in the Soviet Union. Page 3

Lebanese offer The newly elected leader of his group is willing to swap

Hezbollah said in Beirut that Israeli prisoners for Shiite Muslim detainces, a deal that might help free westerners.

Lubbers apology Dutch Prime Minister Rund Lubbers said he had recently received an apology from a man who nearly stabbed him two years ago.

Weekend Tomorrow: François

Spoerry, creator of the lagoon city and apostle of gentle architecture

Crete: island of the indomitable



Bush beats move to block Gatt talks

The Bush Administration narrowly beat off an attempt in the US House of Represent tives to deny the president the vital authority he needs to con-tinue negotiations in the Uruguay Round and to launch

FIAT, Italian automotive and industrial group, reached pre-liminary agreement with the Soviet Union to take a 30 per cent stake in VAZ, (Volskij Automobilnij Zavod) producer of Lada cars and country's big-

UK: Bank of England money market operations fuelled spec-ulation that the government could be planning to cut bank base rates to IL5 per cent today to give the economy an added boost. Page 18

KUMAGAI Gumi of Japan, one of the world's largest construction companies, said pre-tax profits could fall by 10 per cent this year due to downturn in the Japanese property market. Page 19

tor and UK's largest private company said there was no sign of recession easing despite 14 per cent profits increase to more than £3bn (\$5.2bn).

AGF, French state-owned insurance group, is buying 24 per cent of La Union y El Fenix, one of Spain's biggest insurance companies, from its owners, the independent Spanish commercial bank, Banesto. Page 19

HONDA Motor, Japanese car maker, reported a sharp fall in profits in the final quarter as US sales proved sluggish; the domestic market turned soft, and selling expenses increased. Page 22

KLOCKNER-Humboldt-Deutz, German engineering company announced it was feeling the effects of economic weakness in foreign markets. Page 19 JAPAN'S four leading property lower profits despite rises in

premium revenues as higher vehicle repair and natural disaster payments took their

WHITBREAD, brewer and retailer, showed resilience in tough trading conditions with a 9.7 per cent increase in profits to £291.5m (\$503.2m). Page 20; Lex, Page 18

IBM - International Business Machines - the world's largest computer manufacturer, is taking increasingly profound steps to combat the deep structural changes in the worldwide com-puter. Page 23

AT&T, American Telephone & Telegraph, seems to be close to leasing its eight year old headquarters in New York one of the city'e most debated pieces of modern architecture to Sony, Japanese electronics group. Page 23

BHF-BANK in Frankfurt is arranging a DM150m (\$87.7m) private placement with German investors to refinance a public bond issue made in 1984 by the South Africa Department of Post and Telecommunications, Page 24

talks for a North American Free Trade Agreement with Merico and Canada. Page 18

Business Summary

gest carmaker. Page 18

Page 19; Lex, Page 18

Mrs Gandhi had also come

for the leadership.

They also felt that the fact

election.

After a first round of voting

of the 510 constituencies being

contested.

The confusion over the Congress leadership emerged as fears of widespread violence in the wake of Mr Gandhi'e death receded. Most large cities returned to normal although the army continued to patrol in Delhi and other sensitive

Troops and paramilitary forces were being drafted into the capital to provide security protection for the large num-ber of foreign dignatories, ber of foreign dignatories, including Prince Charles, the Prince of Wales, expected for the funeral of Mr Gandhi

today.

Indian police believe that Mr
Gandhi was killed by a woman
on a suicide mission who had on a succioe mission was hear explosives and a battery char-ger strapped to her body when she stepped forward to present him with flowers at an election rally in Tamil Nadu.

While Tamil militant groups hostile to Mr Gandhi remain the leading supects police

the leading suspects, police were yesterday broadening their inquiries.
With all the leading political

parties protesting about the length of the postponement of the last two days of polling — from Thursday and Sunday to June 12 and 15 — the election commissioner said he was reviewing requests to bring the polling dates forward.

Senior Congress leaders – feeling that early polling would win them a larger sympathy vote – have proposed that the poll should be brought forward to June 2 and 5. Fearing that the poll could result in further violence and a parliament in which there is no clear majority, India's President R. Venkataraman has pro-

cancelled. These ideas have, however, been rejected by the major parties.

A Congress party spokesman gave no indication of when the

within the party and provide a leader they could manipulate.

Among the prime movers was Mr R. K. Dhawan, who had also

affairs.
It remains uncertain whether Mrs Gandhi was consulted in advance or whether the decision had been "communicated" to her as the party spokesman said. Suicide woman leaves few

ETHIOPIA

Addis Ababa awaits the violent night

D 8523A

CIA 'allowed illegal export of US missile secrets'

By Alan Friedman, Lionel Barber, Torn Flannery and Eric Reguly in Washington

US ballistic missile technology and military equipment was shipped illegally to South Africa between 1984 and 1988 with the full knowledge of the Central Intelligence Agency, according to American officials. The US officials say they have "good reason" to believe that some of the US ballistic missile technology

The officials say this technology found its way into Iraqi projects to build the Hakim medium-range missile and the uncompleted Condor 2 nuclear-capable missile.

According to these officials, the

was sent on from South Africa to

CIA did nothing to halt the ship-ments to South Africa, which vio-lated federal export law and the US embargo on the sale of military goods to South Africa.

The missile technology sales to South Africa, which continued until November 1988, were made by Inter-national Signal and Control, according to former ISC executives and Department of Justice and Pentagon

The sales continued after the com-pany was bought by Ferranti, the UK defence contractor, for \$700m in 1987. ISC was later at the centre of an alleged frand involving fictitious con-tracts which brought Ferranti to the brink of hanksunter.

brink of bankruptcy.

US federal law enforcement officials have told a joint Financial
Times and ABC News/Nightline investigation that the illegal ship-ments to South Africa included equip-ment which could be used to develop a missile capable of carrying nuclear

The technology shipped by ISC to South Africa included photo-imaging equipment used to determine the per formance of missile tests, telemmetry tracking equipment used to receive signals from missiles and gyroscopes ed in the inertial navigation (or

guidance) systems of missiles.

The illegal missile technology shipments to South Africa and other violations are expected to result in indictments in the next few weeks according to Department of Justice officials.

Perranti executives believe that ISC was involved in the illegal ship-ment of military technology to South Africa. However, they reject sugges-tions that the company was working

Ferranti executives deny any know-ledge of ISC chipments to South

Africa after the merger of the two companies in 1988. Separately British sources have confirmed that, in early 1989, offi-cials discovered that South Africa was involved in the development of sophisticated air-to-ground missiles

which ISC was due to deliver to Abu Dhabi. According to a senior official con-cerned at the time, the £300m deal was blocked after London intervened with the Abu Dhabi anthorities. The deal involved ISC's UK operations and had initially received

British government clearance. But the official said the missiles, for use on Mirage fighters, were of a capabil-ity far beyond what Abu Dhabi would normally be expected to require. South Africa was working on devel-opment of the missiles for its own use and for sale abroad, the official said. Other technology shipments from ISC - not necessarily sent with CIA knowledge - indirectly belped Iraq to build a cluster bomb factory and also boistered Bagbdad'e anti-aircraft radar systems, according to US offi-clals who have been investigating the

clals who have been investigating the ISC affair.

It remains unclear wby the CIA failed to intervene to halt the shipments. Some US officials bave suggested that the shipments were an elaborate method of infiltrating the South African missile programme and that CIA may have wished to protect overseas operatives who were tracking the avenue.

tracking the exports.

Copies of involces, contracts
Continued on Page 18
Saddam's South African connection,

Gandhi refuses leadership

By David Housego In New Delhi

DEEP divisions within the Indian Congress party over a successor to Mr Rajiv Gandhi came into the open yesterday when Mrs Sonia Gandin, his widow, declined to take over as

party president. Mrs Gandhi had been selected as the new party president on Wednesday by a small group of Mr Gandhi's close associates in a move calculated to win sympathy votes in the aftermath of her husband's assassination.

Her refusal to accept the post leaves a vacuum with no strong contenders for the lead-

However, it seemed last However, it seemed last night that one possible choice for party leader could be Mr P. V. Narasimha Rao, 70, who was foreign minister under Mr Gandhi and had previously held a number of cahinet posts. Mrs Gandhi said that her reasons for refusing the presidency were personal: "The tragedy that has befallen my children and myself does not children and myself does not make it possible for me to accept the presidency of the

under strong pressure from a number of senior party leaders, including Mr Sharad Pawar, the chief minister of Mabarash tra, not to accept the post.
They had been angered that over the choice of Mrs Gandhi

that Mrs Gandhi is an Italianborn Christian could bring the Congress under attack from the Hindu revivalist Bharatiya Janata party - its main opponent in the current general

at the weekend, voting has still posed that a national govern-to take place in more than 300 ment be formed and that,



party's policy making body would meet to elect a new leader. He said that the working committee would meet et

Sonia Gandhi arriving at the official laying in state of her husband yesterday possibly, the election should be "an appropriate time" to managed Mrs Gandhi's private

cines, Page 4

Tetra Pak gains EC approval to bid for Alfa-Laval

By Andrew Hill in Brussels

BRUSSELS yesterday told Tetra Pak, the Swiss liquid packaging group, it could pro-ceed with its SKr16.25bn (\$2.65bn) bid for Alfa-Laval, the Swedish dairy and food processing equipment company, which has been beld in limbo

since February. Yesterday's announcement that the suspension of the Alfa-Laval bid has been lifted means that the deal has won unconditional approval, although the oews caused initial confusion at Tetra Pak and in Stockbolm, where Alfa-Laval's shares are quoted.

A European Community

A European Community (EC) official said formal approval might not come until July. "But the Commission sees no point in bolding back the merger when to all intents and purposes there's no prob-lem with it: delay would be expensive and cause had feel. expensive and cause bad feel-

ings."
The in-depth inquiry into the bid, launched by the EC's merger-control task force in March, was the first investigation of a deal between two groups based outside the EC. It comes hard on the beels of Wednesday's bargain with Flat of italy, which was told by the Commission that it bad to reduce its stake in a Freocb car-battery producer if it wanted to merge its battery subsidiary with that of French group Alcatel-Alsthom.

Mr Bertil Hagman, Tetra Pak's president and chief exec-

utive, yesterday praised the Continued on Page 18

K-111 BUYS MEDIA INTERESTS News Corp agrees \$650m sale

of US magazines to KKR arm By Alice Rawsthorn in London and Karen Zagor in New York

NEWS Corporation, Mr Rupert tralia. Murdoch's heavily indebted media group, yesterday agreed terms for the \$650m sale of part of its US magazine interests and confirmed that It was in discussions over the sale of

other businesses.

The magazines – which include Racing Form, Soap Opera Weekly, Seventeen, Soap Opera Digest and New Woman – have been sold to K-111, the publishing company controlled. publishing company controlled by Kohlberg Kravis Roberts, the investment banking business which is one the most powerful takeover players in the US.

repayments on its debt.
It said yesterday it was in negotiation with potential purchasers over further disposals. News Corp refused to comment on speculation that it was discussing the sale of its commer-

cial printing interests in Aus-

The proceeds of the K-111 deal, which will produce \$500m deal, which will produce \$500m in cash payment and \$50m in defered cash payments, will go towards the \$500m that News Corp has to pay its banks by next February as the first tranche of its \$2bn canital repayment programme. News Corp then has to make three subsequent payments of \$400m at six monthly intervals.

The acquisition will turn

The acquisition will turn K-111 - which is also involved with educational books, trade magazines and data bas into a substantial player in the US. Its revenues will increase News Corp, which earlier this year completed an emergency \$7.6bn financial restructuring programme, is trying to raise money to meet the capital cash or equivalents. The remaining 60 per cent will be raised from bank debt. However KKR is not involved in the day-to-day management of K-111, which is headed by Mr Willaim Reilly, former president of the Mac-

milian publishing group. K-111 plans to run the Murdoch mag-azines as a stand-alone group Mr Reilly said there were no plans to change the editorial policies of the magazines. "We through future sequisitions and start-ups as we have done with our other companies," he

Newe Corp is believed to have initially offered to sell nine magazines —including Mirabeila, its loss-making women's monthly, but not the profitable Racing Form — to K.111 for a lower price. K-111 for a lower price. However K-III came beck with e higher bid if Racing Form was substituted for Mira-

News Corp said yesterday it was committed to supporting Mirabella in the US. However lt recently announced the closure of the recently launched UK edition. News Corp also plans to keep TV Guide, the US televi-sion listings magazine.

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development project

Spanish elections: Socialist rhetoric may still World Trade: Talking gets tough in US-Japan Technology: How to stop a runaway computer

UK elections The answer lies as usual in the home loan interest rate Lex UK trade figures; British Telecom; Hong International bankings How can so much be Section III going wrong at once? Pulp and paper: Era of opportunity crumples

into disillusion

Australian Labor Party rides -2 to the end of the wave



Bob Hawke, Australian prima minister, is always at his most dangerous when his opponents think ha is peaten. But there are eigns that the public's long love affair with his Labor Party is coming to an end

Stock Markets 29-40 23-31 Unit Truets

New York lunch \$1,7355 London: \$1,735 (1.7265) DM2.975 (2.9725) FFr10.1025 (10.0925) SFr2.525 (2.52) Y239 (238.3) £ Index 92 (91.9) GOLD

MARKETS

New Yerle Comex Jun \$355.5 (358.8) \$355.55 (356.3) M SEA OIL (Argus) \$19,25 (19,175) Chief price changes yesterday: Page 19

Y137.885 DM1.714 (1.7215) FFr5.8225 (5.845) SFr1.456 (1.4595) Y137.7 (138) \$ index 86 (66.1) Tokyc close:Y137.95 LIS impolitions rat Fed Funds 55 % 3-mo Treesury Bills: yield: 5.54% Long Bond: 98 ¼ yield: 8.28%

New York lunchts DM 1.71295

FF15.818

SFr1.4589

2,890.88 (-19.45) S&P Comp 373.65 (-2.54) Tekyo: Nikkel 25,843.65 (+244.99) LONDON MONEY 113 % (112) Liffe long gilt future: Jun 91(9033)

FT-SE 100: 2,482.8 (+16.9)

FT Ordinary:

1,945.4 (+12)

FT-A All-Share:

New York

DJ Ind. Av.

1,198.71 (+0.6%)

EUROPEAN NEWS

Rural Spaniards to carry the day

Peter Bruce evaluates the strength of socialist votes in Alburquerque

ust after midnight on Tuesday and Alburquerque is buzzing. Election banners strung between buildings and pamphlets on the streets remind everyone that Spain goes to the polls on Sunday in nationwide local elec-

tions and in most of its states.

Topped by a 14th century castle that looks into Portugal, this tiny Extremaduran village is not conversation-friendly. Music booms out from a small fairground set up in the main

Stocky, tanned farm workers with huge necks and clean white shirts stroll with their families past some of the stalls. Rural Spaniards will carry the day for Prime Minister Felipe González on Sunday. His Spanish Socialist Workers Party (PSOE) may, according to the polls, take a hammering in the cities on May 26. Socialist rule in Seville, Valencia and Barcelona is under threat as educated Spaniards tire of the scrialist rhetoric the party pours out at election time, only to revert to its text-book market economics after the polls have closed.

House prices are beyond the reach of young people. Interest rates are chronically high. The traffic is appalling and the socialists seem unable to control petty crime and drug right wing coalition, is going to be very hard for the socialists

But in Alburquerque, with its 4,500 voters, most oppo-nents are resigned to the PSOE remaining the biggest party. "They will win," says Mr Francisco Mariscal, a long

standing councillor for the conservative Partido Popular. These people are poorly educated and easier for the socialists to manipulate." Up to 80 per cent of the population over 40 years old may be functionally illiterate. "And look at the old folk at

the railings there," says Mr Arturo Alvarez, leader of local communist-led Izquierda Unida (IU). "Before they were pensioners they had probably never seen the sea. Now the socialists take them on hus trips, give them medical

care..."
The socialist mayor, Mr Emilio Martin, is impossible to see.
But he, like all rural mayors in Extremadura and Andalucia, is key to Prime Minister Gonz-ález continued rule in Madrid. These mayors have the power to "buy" votes. When the socialists came to

power in 1982, they instituted a system known as the peonadas, an unemployment subsidy for farm workers.

For every 60 days worked in one year, they would be given the right to 180 days' benefit the following year in return for doing odd jobs for the local

But the peonadas have become a political instrument. In theory, a mayor can sign peonadas, attesting that people have done their work, which are then taken along to the local amployment office and

exchanged for payment.

I Martin has just heen accused hy Labour Ministry inspectors of falsifying thousands of peonadas, allowing people to earn money for work they were not here done. they may not have done.

Mr Martin, unlucky, maybe, to have been accused, is not alone. The abuse of the peonadas is widespreed around Extremadura and Andalucia and goes e long way to explaining how the socialists remain

in power in Madrid.

But if e large part of the vote that keeps them there can barely read or write, the cities may be about to teach them a hard lesson. Seville is home to Mr González and his former deputy prime minister, Mr Alfonso Guerra - still deputy party leader and chief party

Growing support for the local Partido Andahicista has forced Mr Guerra to make extra appearances in the city and even Mr González has had to walk around talking to peo-ple, which he hates.

ignored' The socialists have thrown Exposition in Seville next year By George Graham in - a new airport, new high speed train to Madrid, new roads -

yard would hurt. Assuming the city to be safe, Mr Gnerra has, typically, imposed a friend, Mr Luis Yanez, as mayoral candidate. But Mr Yanez is a weak choice, able only to promise more money from Madrid if elected

and rejection in their back

Bad results in the cities may at least damage Mr Guerra's position in the party machine and help seal deep divisions between the party and its conservative government The cities matter. In 1931,

when the monarchists took the country by holding the rural vote, King Alfonso XIII never-theless felt obliged to abdicate the next day because the Republicans had taken the

opposition means the socialists are able to survive by making deals - it will support an IU mayor in Cordoba if the IU supports a socialist mayor in Seville. That power broking may even reach down into places like Alburquerque, but as the music starts up for another night of flesta and the people ad for the bars on the Plaza

Air France | Chernobyl health fears ruling 'was maintained

By Michael Littlejohns in New York

MR Anatoly Karpov, head of the largest international group providing humanitarian aid to Chernobyl victims, yesterday criticised reports that claims of THE French government has sidestepped the conditions imposed by the European Commission on last year's takeover hy Air France of its two main French rivals, UTA and Air health damage through the 1986 nuclear power disaster Inter, and continues to protect the national airline from com-

were exaggerated.
At a press conference in the UN, Mr Karpov, the world chess champion, said the report carried out under the petition, according to a French Senate report. The report says the govern-ment has got around the proviauspices of the International Atomic Energy Agency failed to study 116,000 people evacusions of its agreement with the Commission, which were designed to introduce an ele-ment of competition into the ated from a highly contami-nated "dead zone", as well as more than 600,000 clean-up French market after the merger. Under the merger, both internal and internaworkers. More than 1,000 in these clean-up crews since died from radiation exposure and 40 per tional flights were concen-trated overwhelmingly in the hands of Air France and its

However, the government's choices in the allocation of new routes to independent air carriers appear intended to

limit this competition.
The senstors attack the government's refusal to allow new carriers to operate from Orly, the Paris hah for domestic flights. By insisting that they should fly from Roissy-Charles de Gaulle, the main interna-tional airport, it made it much more difficult for these compa-nies to make money.

Global defence expenditure falls by 5 per cent

GLOBAL expenditure on defence fell by 5 per cent last year to \$950bn (£549bn), according to the International Peace

Research Institute.
The US and the Soviet Union contributed more than 60 per cent of this total, says the Sipri yearbook published today. Mili-tary spending fell by 6 per cent in the US and by 10 per cent in the Soviet Union last year. But even after those cuts, US expenditure was nearly 30 per cent higher than in 1980 and Soviet spending was almost 38

imply that a floor has been reached, raising concern that defence spending may again

rise if and when economic for-tunes allow, it adds.

Sipri calculates that the global value of trade in major conventional weapons last year

was \$21.7bn (at the 1985 dollar

value), a 35 per cent decrease from the 1989 figure. The value

of deliveries of major conven-tional weapons in 1990 was two thirds less than in the peak

year of 1987.

Soviet spending was almost 38 per cent higher.

Defence spending in the Third World last year was around \$150m, or 16 per cent of aggregate world military expenditure. Although Sipri has recorded e rapid drop in Third World military spending since 1964, mainly because of economic difficulties, the year-book suggests that spending stabilised in 1990. This may imply that a floor has been cent of them were under 40

years old, he said.

Mr Karpov blamed officials in the Soviet Ministry of Nuclear Power for putting the best possible face on the disaster because they were eager to prevent any attempt to block the expansion of nuclear gener-

ating plants.
Mr Karpov, who discussed the UN International Cherno-hyl Project report with Mr Javier Peres de Cuellar, the secretary-general, said some of the worst effects of the disaster were only now being seen.

accounted for 69 per cent of total arms deliveries, by value, last year. However, the US last year. However, the US abare rose to 40 per cent from 34 per cent in 1989, while the Soviet share dropped to 20 per cent from 37 per cent the previous year, reflecting the decline in the Soviet arms trade to india, iraq and Alghanistan.

Nine countries accounted for

Nine countries accounted for

Nine countries accounted for 30 per cent of Soviet arms exports last year - India, Iraq. Afghanistan. north Korea, Syria, Angola, Poland, East Germany and Czechoelovakia. The Gulf crisis made Saudi Arabia the largest arms-importing nation, followed by several other Gulf states, but elsewhere in the Middle East Sipri estimated there was edecline in the arms trade.

decline in the sums trade.

The yearbook also takes a close look at Iraq's weapons imports in the 1980s. Its latest calculation is that the country imported \$27.369bn worth of arms over the decade, with 55 per cent of the aggregate sales coming from the Soviet Union.

19 per cent from France and 8 per cent from China.

Sipri calculates the economic costs of the Gulf crisis before the onset of war in mid-Jann-ary amounted to \$53ha - this excludes the cost and devastation of the conflict itself. The sum is almost equal, says Sipri, to the total annual foreign assistance that Third World countries currently receive. Sipri also records a decline

An estimated 55 per cent of in the number of major armed conflicts in the world last year to 31 from 33 in 1989. the deliveries were to Third

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World countries. Together the US and the Soviet Union Moscow welcomes US proposal on weapons THE Soviet Union yesterday welcomed new US proposals to

ban chemical weapons, and indicated it was ready like Washington to destroy all

stocks after an international treaty was negotiated, Reuter reports from Geneva. Soviet delegation head, Mr Sergei Batsanov, told the 39-na-Sergei Baisanov, told the 39-nation Geneva disarmament conference that the US move opened the way for a breakthrough to agreement, with the aim of resolving all outstanding problems before the end of this year.

He was responding to a message last week from President George Bush which dropped two previous key US demands—the right to use chemical arms in retaliation, and insistence on keeping a small stockpile until all nations with such weapons had agreed to a

Complex negotiations on out-lawing development, produc-

ons and the destruction of existing stocks have been drag-ging on at the Geneva forum since 1968.

A 1925 international protocol prohibited their use, but UN investigators reported they were employed during the Iraq-Iran war of 1980-88.

President Bush proposed all stocks be destroyed in the 10 years following conclusion of a treaty, superseding a draft agreement signed with President Mikhail Gorbachev, the Soviet president last June which committed both states to destroy all but 5,000 tonnes - or two per cent - each of their chemical weapon stocks

Retaining reserve US and ble of producing chemical arms

Retired general murdered by gunmen in Turkey

Turkish army general in Ankara yesterday and wounded another and his driver in the southern city of Adana in the latest of dozens of political attacks, Reuter reports from

The Anatolian news agency said Major General Ismail Selen, killed in the Turkish capital, was a former military commander in southeast Tur-key where the Kurdish Work-ers Party (PKK) has been fight-ing for independence since 1984. No-one has admitted responsibility for this attack. The chooting in Adana, car-ried out by three gummen, was claimed by the extrement Dow-

claimed by the extremist Dev-Sol (Revolutionary Left) group in a call to the Adana office of the Hurriyet daily.

AUTOMATIC IDENTIFICATION The FT proposes to publish this survey on June 17 1991.

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EUROPEAN NEWS

iture fall EC reaches accord on feeding Soviet poor

STANCE OF PROPERTY

THE EC finally agreed terms with Moscow yesterday on the delivery of Ecu250m (£172.5m) worth of free food to the poor and needy in the Soviet Union.

The agreement came at a meeting of the EC-Soviet joint committee that also discussed.

progress towards economic reforms which Soviet officials hope could unlock large amounts of macroeconomic aid

from the west. Mr Ernest Obminsky, the

deputy foreign minister who led the Soviet delegation, said he thought most of the members of the Group of Seven main indestrialised countries favoured inviting President Mikhail Gorbachev to their

cial terms could be settled," he said. With a total debt of \$63bn (£36.4bn), an economy of the Soviet Union's size could support more borrowing if the West were ready to lend, he suggested.

Mikhail Gorbachev to their
July summit, at which aid to
the Soviet Union will be discussed.

"If the West comes out of
that meeting with the feeling
that the (Soviet) process is in
the right direction, the finan-

acknowledged western aid depended crucially on political stability in the Soviet Union. Aid of "\$50bn or \$100bn would not help if we have a situation of conflict or war in our

The EC is to start delivering, through charity organisations, a first delivery of 80,000 tonnes of food, worth Ecu215m, in July to a list of hospitals, orphanages, kindergartens and oid people's

homes, eventually provided by Moscow after delay. A second slice of aid, amounting to 12,700 tonnes worth Ecu35m. will go later. Mr Obminsky said Moscow

was still in talks with the EC and western commercial banks for up to Ecu500m in EC-guar-anteed credit to buy food. Also still under discussion is the EC's promised Ecu400m worth of technical aid. Gorbachev visit, page 6

Lithuanian border posts set alight

SOVIET security forcas yesterday set fire to improvised Lithusnian border posts as part of an undeclared war against Lithuania's attempts to act as an independent republic, writes Leyla Boulton in Moscow.

Moscow.

The dawn raids on four posts set up by Lithuania on its border with Latvia contrast sbarply with the Kremlin's promise to resolve disputes with the breakaway republic by relitical means.

by political means.

A Lithnanian spokesman said that two Lithuanian border guards were injured in the attacks. Lithuania says the border posts are to stop black-marketeers from smuggling.



Allied veterans of the unsuccessful attempt to hold Crete against German invasion 50 years ago this week during a ceremony on the Greek island yesterday. The commemorations end on Sunday with the attendance of Chancellor Helmnt Kohl, who was invited as a mark of a new era in Europe since German unifi-

cation. Hundreds of German veterans are also attending ceremonies with their former enemies from New Zealand, Australia, Britain and Greece, Abont 30,000 Common-wealth, Greek and German soldiers died in the battle. Fighting lasted 11 days before German paratroopers over-powered Crete's defenders.

Europe venture capital investment in decline

THE European venture capital industry's record of unbroken growth was interrupted in 1990 when money raised and sums invested declined. The setback was noticeable in Europe's most developed venture capital markets: Britain, France and the Netherlands, but the Ger-man market came alive after a long torpor.

Venture capitalists raised Ecu4.6bn (£3.2bn) in 1990, a fall of 21 per cent on 1989, taking total venture capital funds, invested or available for investment, to Ecu28.4bn, the European Venture Capital Association said. Investments totalled Ecu4.1bn, 3 per cent down on

The UK continued to domi-nate the industry in Europe, accounting for just over half the venture capital pool, but continental European venture groups together raised more than their UK counterparts for the first time.

UK groups raised Ecu2.0bn, down on the Ecu3.2bn raised in 1989, while continental groups raised Ecu2.4bn, up from Ecu1.2bn the year before. Germany overtook the Netherlands and Italy in 1990, in terms of size of the national venture capital pool. It rose from number five to three in the European league table, with a total Ecu2.1bn funds

Martell fined for obstructing export rival

THE European Commission yesterday fined Martell, the French cognac producer and distributor, (£210,000) for obstructing cognac exports to Italy by a rival distributor, writes David Gardner in Brussels.

Distribution Martell Piper

(DMP), the distribution arm Martell owns jointly with Piper Heidsleck, was also fined Ecu50,000. The move is part of a clampdown on attempts to restrict competition through the use of exclusive distribu-

Brussels acted after a com Brussels acted after a com-plaint from Vincent Gosme, a French wine, spirits and food wbolesaler which exports cognac to Italy, where Martell has an exclusive distributor. When Gosme incressed its

orders in an attempt to export more, DMP withheld the bulk order discounts to which it was order discounts to which it was entitled by virtue of its membership of one of the main French wholesalers' organisations. The effect was to force Gosme to mark up its cognac in Italy by more than 25 percent. The Commission concluded that this restrictive practice was part of a deliberate strategy by Martell and DMP to restrain so-called "parallel exports".

Kohl sees common EC defence

MR Helmut Kohl, the German MR Heimut Kohl, the German Chancellor, said yesterday that a common European foreign policy must, in the long run, include a common security and defence policy, writes Robert Manthner, Diplomatic Editor. However, be stressed in a speech at Edinburgh university where he was awarded an hon-

where he was awarded an hon-orary doctorate, that such a European policy must neither replace nor weaken the Atlan-tic Alliance. "The Alliance and the presence of US troops in Europe remains indispensable for our security." He reiterated the Germen

position that a treaty on political union must go hand in hand with a treaty on economic and monetary union being discussed by two intergovernmental conferences.

West's aid 'should be tied to democracy'

THE resignation of President Mikhail Gorbachev and his Mikhail Gorbachev and his replacement by a democratic regime with popular support should be a pre-condition of any large-scale western financial and other assistance to the Soviet Union, according to Professor Anders Aslund, one of the most reported analysis of the most respected analysts of the Soviet economy.

Speaking at the Royal Insti-tute of International Affairs in London he argued that, with-ont prior damocratisation, western aid would be more likely to lead to another unsuc-cessful attempt at authoritar-ian stabilisation, like that tried by General Wojciech Jaruzelski by General Wojcset.
in Poland after 1981.
His remarks to businessmen,
and academics run His remarks to businessmen, the course of the consequence of diplomats and academics run omy as a consequence of

By David Goodhart in Bonn

A DISTURBING number of

A DISTURBING number of east Germans see the old communist regime in a more positive light because of their current economic uncertainties, Mrs Birgit Breuel, new president of Treuhand, the agency charged with privatising east German industry, says.

Mrs Breuel declared: "For many people, all the positive things – free elections, freedom of travel and speech – are overshadowed by this fear."

Treuhand's financial limits for this year – DM30bn in guaran-

this year – DM30bn in guarantees for east German corporate borrowing and DM25bn in actual Trephand spending – were insufficient, she added.

We have spent DM7bn alone

Old regime comforts

many east Germans

counter to the plea by Profes-sor Jeffrey Sachs and other Harvard economists for the Harvard economists for the west to provide conditional assistance of between \$20bn (£11.5bn) and \$30bn annually to assist Soviet reform. They could also affect the current attempt by the Soviet leader to attempt the forthcoming meeting of leaders from the seven leading industrialised countries (GI) in London in July which has been sceptically treated by several western governments. Mr Grigory Yavlinsky, a leading Soviet economist, is currently in the US preparing a reform package. preparing a reform package.
Professor Ashund rejected Mr

Gorbachev's explanation for the collapse of the Soviet econ-

produced DM balance shees; more have their own business plans. About 1,660 companies out of 8,000-plus have been sold. (with 485 closed), and DM55bn in new private investment has been pledged. Five per cent of companies have been sold to foreign concerns but Trenband is to open in New York and Tokyo.

demolishing the old command economy before creating a market system to replace it. "It is not an organisational problem. The roots... lie in tha fallura to curb the growing budget deficit, the explosion of wages after passage of the state enterprises law in 1988 and the outrageous increase in social benefits after elections to the Congress of People'e Deputies in 1989," he said.

This year's expected budget deficit of Rhs248bn, nearly 20 per cent of GDP, could be accounted for entirely by the allocation of Rhs150bn to new social programmes and social programmes and Rbs110bn to new consumer

spending to Rbs95bn, although the military insist this is a 7 per cent reduction in real terms. These three factors are sufficient to explain the cur-rent crisis with its market imbalances, increasing reincimbalances, increasing reinc-tance to exchange goods for money and reinforcement of all the latant autarchic forces in tha system," he said. The result was sky-rocketing infla-tion and an expected 20 per cent decline in GDP this year. The Soviet according was The Soviet economy was now virtually in free fall, after a 10 per cent decline in GDP. Faced with the choice, the west should give preference to helping the newly democratic regimes of eastern Europe rather than the unreformed Further pressure cama from

Poles urged to accept reform

POLAND would faca "enterprises. The government would also to speed up privatisation of state sector enterprises, the government would also to speed up privatisation of state sector enterprises. Further efforts would be made to open markets to the made to open markets to the made to open markets to be made to open markets to open markets to be made to open markets to open markets to be made to open markets to open markets to be made to open markets t in the first half of 1991 on interest payments for the DM100bn of old debts carried by east German firms."

It might be the end of this year before all companies produced their first DM balance sheet, despite the original deadline of last October. Sixty per cent of companies have produced DM balance sheets; more have their own business protests against government policies on Wednesday,

He warned against any easing of monetary restrictions ing of monetary restrictions agreed with the International Monetary Fund. "Healthy growth cannot be bought at the price of high and mounting inflation," he said.

Nr Balcerowicz implied monetary policies were, if anything, too slack and banks would be told to tighten policy towards chronically indebted

Philips, the Dutch electronics group, pledged to invest about \$300m (£173.4m) over the next five years in the Polam Pila lighting plant in an agreement signed yesterday.

Philips has been negotiating a taken and of the plant in the

a takeover of the plant, in the north-west of the country, since the beginning of the year. In February the government agreed to sell 51 per cent of the shares for \$16m. The Philips stake rises to 66 per cent under the deal signed yesterday, with the Dutch agreeing to cover costs arising from environmen-

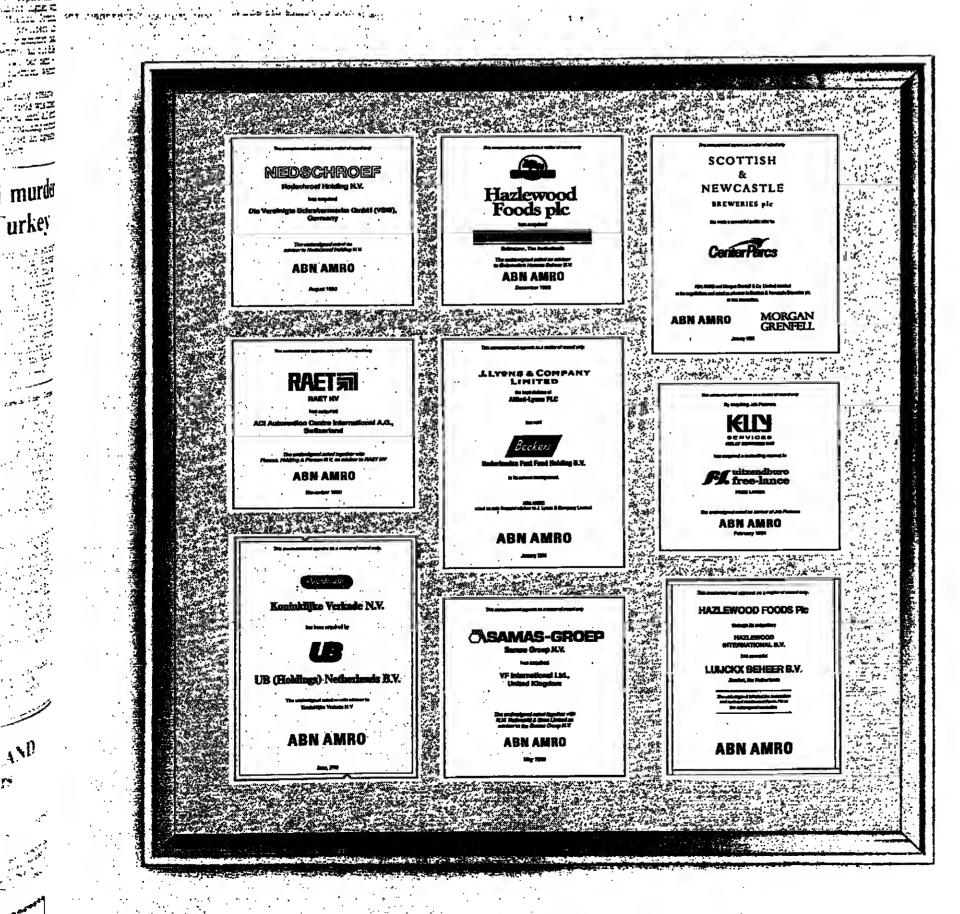
tal polintion by the plant, Workers at Polam Pila had threatened to go on strike unless the agreement was signed by May 23. A majority private share in the company

private share in the company removas the government's wage control restrictions.

The US Boston-based Pioneer Group has filed the first application to Poland's new Securities Commission for permission to set up an fund aimed at investing in Polish companies.

The company would bope to raise \$100m from Polish investors and to place some on the country's fledgling securities market and the rest abroad.

Pioneer will withdraw its application unless the Poles give permission for the funds raised at home to be invested abroad.



Cross-border corporate finance has always been one of our skills. Now we've

made it an art.

ABN AMRO

eneral murd

n in Turkey

Party in disarray as Sonia Gandhi rejects presidency Major may appeal

By David Housego in New Delhi

THE Indian Congress party was in a state of disarray last night after Mrs Sonia Gandhi, the Italian-born widow of Mr Rajly Gandhi, declined to accept the presidency of the party.

"The Congress party has been in power so long and yet they cannot find a leader", said one of the party's inner circle impatiently. Mrs Gandhi was the easy choice to forestall further leadership quarrels. But ber being both Italian-born and a Christian made her a liability in the eyes of many senior Congressmen to a party whose main opponent in this election is the Hindu revivalist movement.

K.K. Sharma and Mervyn de Silva report

Suicide woman

leaves few clues

on the scope of the police inquiries

to her motive

NDIAN police agencies investigating the assassination of Mr Rajly Gandhi

yesterday broadened their inquiries from the initial suspi-

cion that a militant Tamil

organisation was behind the

with a bomb concealed in an abdominal belt. The woman's

remains are badly disfigured

but the examination suggests that she could have been either

Indian police agency sources are working on the two possi-bilities that the woman

belonged to either an extremist Tamil group or a Sikh militant

organisation. Both have

motives for the assassination.

The militant Tamil Tigers believe they were betrayed by Mr Gandhi when he agreed to send the Indian army to Sri Lorks.

The Indians fought a pro-

longed and indecisive war in Sri Lanka. Many militant Sri

Lankan Tamil groups believe that as a result they were pre-vented from winning an inde-

pendent homeland they call

The Tamil Tigers (LTTE)

made little effort to conceal their disappointment with the

July 1987 signed by President Junius Jayawardena and

Prime Minister Rajiv Gandhi, According to the Congress (I), that treaty guaranteed the safety of the minority Tamils in Sri Lanka's north and east,

safeguarded india's security

interests and preserved the island's territorial integrity.

In August 1987 the Tigers were the only group to reject the accord, although Mr Velu-

rilla chief, had promised Mr Gandhi be would co-operate

with the indian Government. On returning to Jaffna after

Delhi Mr Velupillai Prabhakaran pledged that the "struggle for Eelam" would never end. He rejected the accord becase

the regional autonomy granted

fell sbort of his dreams.

tiations over the accord in

e Tamil or a Punjabi.

They did so after examining the remains of a woman who blew herself and Mr Gandhi np

Apart from her, there are no other obvious choices. The most senior figure in the party, and now the most likely successor, is Mr PV Narasimha Rao, 70, who was long an unofficial number two to Mr Gandhi. He was foreign minister under Mr Gandhi and home minister under his mother. But he has been in poor bealth after recent open heart surgery and has no wish to assume the leadership in the midst of an election campaign.

A second possibility is Mr ND Tiwari, 57. A large heavily built man who always wears a white Nehru cap, be has been finance minister in the

Mr Gandhi also insisted on free elections to the new assembly in which all Tamil

militant groups could contest. This allowed the Tigers' hated rival, the EPRLF, to participate

and win the majority of seats. However, during the last

three months, according to sources in Madras, the Tigers had settled their differences

with Mr Gandhi, mainly through talks with Ms Jayalali-

tha, a former film star whose party is an ally of the Congress in Tamil Nadu. Hence, the

Tigers are thought to have sup-ported the Congress in the indian elections and worked

for Mr Gandhi. Not withstanding this, Dr

If reports of Mr Gandhi's recent rapprochement with the Tigers are correct, it would

appear that militant Sikh organisations had a stronger motive for killing Mr Gandhi,

who has been on their hit list ever since his mother ordered the Indian army to launch "Operation Bluestar" to flush out armed Sikhs from the holy

Golden Temple in Amritsar in

central government and chief minister of Uttar Pradesh. He is the Congress "boss" in UP - but one whose loyalty Mr Gandhi doubted. Mr Tiwari has great political astuteness and skill in backroom manoeuvres. But he is more a politician of the Hindi speak-

ing north than he is a national leader. A third contender is Mr Sharad Pawar, chief minister of Maharashtra. He is also more a regional "boss" than national politician. He played a key role in putting pressure on Mrs Gandhi to decline the presidency. Mr Pawar has also been a prime mover of a long simmering scheme to reunite

the Congress with factions of the Janata Dal under the leadership of Prime Minister Chandra Shekhar.

The party's difficulty in finding a leader reflects weaknesses in the way it has been run both under Mrs Gandhi and Rajiv. Jawaharlal Nehru allowed talent to flourish under his leadership and had thus several ministers or heads of governments in the states who developed strong reputa-tions. Both Mrs Gandhi and her son feared that their ministers could become their rivals and therefore clip-

ped their wings.
Coupled with this system of pre-

venting senior Congressmen from becoming too successful both Mrs Gandbi and her son depended heavily on back-room advisers and loyalists. Most prominent among these is Mr RK Dhawan who managed Mrs Gandhi's private office and assumed

a prime mover in the campaign to draft Mrs Sonia Gandhi. Failure of the manoeuvre will be damaging to his power and to that of other former close associates of Mr Gandhi. World stock market report, Page 43

an increasingly important role under Rajiv in handling the party's affairs. Mr Dhawan is believed to have been



Sonia Gandhi sits with her son Rabul at the foot of her husband's body at Teen Murti House in New Delhi yesterday

Financing difficulties worsened by assassination

International banks toughen stance

THE MURDER of Raiiv Gandhi is the latest in a series of blows which threaten India's record of never having defaulted on its international debt obliga-

The groups assassinated Mrs Indira Gandhi a few months after the army action and they had vowed to kill other members of her family. However, it is clearly too early yet to establish any firm conclusions and police sources concede that they are still in the exploratory etages which are leading them to question Tamils, try to track down other

investigate all possibilities. These even include a theory that Sikh and Tamil militants had established contacts with each other with the aim of assassinating Mr Gandhi, the opportunity for which came during his election campaign when he shed security precau-tions and mingled freely with audiences in election meetings.

Before the election was called, Indian finance officials were making the rounds of international creditors in an emergency effort to bolster financial support for the country. They approached several of the country's government creditors, seeking \$1bn, and although Japan and others agreed to help, most were unwilling to make anything unwilling to make anything except a modest acceleration of The officials also held meet-

ings with senior commercial bankers. Banks were intensifying India's financial difficulties by refusing to renew lines of credit and the aim was to stop a further erosion of these credit lines.

The election campaign halted this process and the delay announced in the election is likely to postpone it still further. The fall of the govern-ment delayed approval of the country's 1991-92 budget, upon which hangs agreement by the International Monetary Fund of a standby lean programme

of a standby loan programme.

The Iraqi invasion of Kuwait intensified the financing difficulties already being faced by India. The rise in energy prices pushed up its oil bill significantly, while remittances by Indian workers - an important source of foreign curren-cy - dried up significantly. This increased international bank worries about the secu-rity of their funds.

the Institute of International Finance, the Washington-based think tank created by interna-tional banks to study the debt problems of third world coun-tries, the oil deficit increased to \$5.6bn (£3.2bn) in the fiscal year ended March 31, from \$3.8bn the year before.

This helped push the trade deficit to \$6.6bn and the cur-

rent account deficit to \$8.9bn. the institute estimates.
Foreign debt rose by \$5.8bn

koreign debt rose by \$5.30n last year, although banks pulled almost \$500m out of the country, compared with their net loans of nearly \$800m the year before. Of the total debt of \$70.20n, some \$440n is owed to official creditors and \$110n to foreign banks. foreign banks. The problems intensified early this year, forcing India to

draw down some \$1.9bn from its foreign exchange reserves and leaving \$2.3bn in March 1991, less than one months' imports of goods and services. Although official holdings of ernment has said that it will not sell gold or use it as collat-

Keeping an unblemisbed record of foreign debt payments may be the least of India's worries in the years ahead, but if it is to do that it will depend heavily on the IMF. The IMF disbursed \$1.8bn to India in January, including

the impact of the Gulf crisis, If it is to secure that record and that will depend on help from commercial banks and other official creditors, includ-ing the World Bank – it will need to assure the Fund that it is bringing its budget deficit

a \$1bn meant to make up for

Such action, at a time of political unrest, is likely to be resisted by the authorities as a highly risky venture. In recent talks at the spring meetings of the IMF and World Bank in Washington last month, Indian officials were still emphasising that India was a special case for other economies were not suited to India's.

under control.

However, whethar or not this is the case, foreign credi-tors are likely to seek evidence of a fundamental shift in the inward-looking economic poli-cies that have been in place since independence before they will provide India with signifi-

to China over Hong Kong airport

By John Elliott in Hong Kong

MR JOHN MAJOR, UK prime minister, is to consider appealing personally to Li Peng. China's premier, to approve the building of Hong Kong's proposed HK\$100hn (£7.5bn) international airport which faces the risk of being seriously delayed, even cancelled. because of an impasse between

the two countries.

He will decide if such an initiative is worth making during the next few days, after senior ministers will have heard a report on five days of talks in Peking which ended in dead-lock. A spokesman for the Chinese government indicated yesterday more talks would be held later. Sir David Wilson, held later. Sir David Wilson, Hong Kong'e governor, said it was too early to confirm this. Proposals put forward by both countries had "not matched up," he added. He described the UK proposal as "very practical"; the Chinese spokesman said Peking'e had been "positive and constructive".

tive and constructive". China is believed to have proposed a joint commission to vet a wide range of govern-ment policy decisions overrun-ning the 1997 date for handover to Chinese sovereignty. The UK rejected this and tried

airport from wider issues of Ching's control before 1997.

The project is now nearer being cancelled by the Hong Kong government than at any time since China first started querying the plans nearly 18 months ago. China is using the project to gain a large degree of control over long-term decisions in Hong Kong before it the sovereignty handover.

the sovereignty handover.

Hong Kong cannot raise international equity and loans for the project until China cuts the political risk to manageable size by indicating its backing. But private-sector interests are considering mounting a react operation if the talks break down.

a rescue operation if the talks break down.

The impasse has delayed bridge and roadwork tenders, which have a deadline of next month. If that is missed, the government will have to admit its planned airport opening date of 1997, already regarded as unrealistic by senior engineers, must be abandoned. That would be a blow, because the government had hoped to open the airport just before open the airport just before Hong Kong goes back to Chi-nese sovereignty. China's refusal to come to agreement is being seen in Hong Kong as an attempt to humiliate the UK.

Saudis turn to banks to ease war costs burden

THE Sandi Arabian

government is seeking a \$2.5bn ioan from a group of big Saudi banks to help meet some of the costs of the recent Gulf war, financiers in the Saudi capital said yesterday, AP-DJ reports from Bahrain.

The kingdom'e two largest banks, National Commercial Bank (NCB) and Riyad Bank, have been discussing the terms of the loan with the government and are expected to syndicate the deal among other local banks, financiers said.

The deal would be the second foreign currency loan raised by Sandi Arabia this year and marks a break with the kingdom'e policy of avoiding foreign borrowing. Earlier this worth the kingdom'e the second foreign borrowing.

ing foreign borrowing. Earlier this month, the kingdom signed a \$4550 credit with a group of foreign banks, tha first dollar borrowing by Saudi Arabia in more than two

Businessmen said interest charges on the new loan are likely to be set at about % per cent to % per cent above Libor (the London interbank offered

The Islamic proscription of highly sensitive subject for the Saudi government.

Financial sources said they expect Saudi Arabia will use the credit to pay off the \$13.5bn which the kingdom agreed as its contribution towards the costs of the war to free Kuwait. Saudi Arabia has still to pay around \$8bn of the commitment made to the US and has faced criticism in Congress for the delays in paying off the balance. US officials have been trying to get the kingdom to agree a timetable for paying off the remaining debt.

Bankers said the high levels of liquidity in Saudi banking system should make it relationship.

tively easy for the government Officials from NCB and Riyad Bank met yesterday to discuss a strategy for bringing

other Sandi banks into the

cradit, according to the sources, who requested ano-Despite government worries about foreign borrowing, there have been tentative moves in recent years to allow parastatal companies to borrow more

Barlier this week, news emerged that a subsidiary of Saudi Aramco, the national oil company, is borrowing \$300m from local banks in what is apparently the first-ever dollar borrowing by the state-owned

oil producer. Vela, the Saudi Aramco unit which runs the kingdom's fleet of oil tankers, will use the 13sels, bankers said.

Two years ago the Public investment Fund (PIF), a government pension fund body, set the trend for foreign currency borrowing by parastatals with a \$660m credit syndicated among Saudi-owned banks. Bankers said the trend towards parastatal borrowing is likely to continue.

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£125,000,000 Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 22nd August, 1991 has been fixed at 11.7125% per annum. The interest accruing for such three month period will be £295.22 per £10,000 Bearer Note, and £2,952.19 per £100,000 Bearer Note, on 22od August, 1991 against presentation of Coupon No. 1.

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Rate Notes due 1996

In accordance with the provisions of the Notes.

notice is hereby given that for the three month

period from 22nd May, 1991 to 22nd August, 1991

the Notes will bear interest at the rate of 11.6625 per

Interest per £5,000 Note will amount to £146.98 and

will be paid for value 22nd August 1991 against

Chartered WestLB Limited

Agent Bank

surrender of Coupon No 21.



22nd May, 1991

London Branch

South Africa election won by right-wing

South Africa'e right-wing Conservative Party (CP) has won a by-election victory in Orange Free State in what political analysts described as a sign of bloody confrontation to come, Reuter reports from

Johannesburg.

Results released yesterday showed the CP had beaten the National Party (NP) of reformist President FW de Klerk by 1.258 votes in Ladybrand constituency, compared with a CP maiocity of 20 votes in the compared with a CP maiocity of 20 votes in th majority of 70 votes in the general election in 1989.

Cubans quit Angola The last Cuban soldiere in Angola are expected to be pul-led out over the week-end, ending almost 16 years direct mili-tary backing for the MPLA (Popular Movement for the Lib-eration of Angola) government, Robert Graham writes. The 2,000 troops will be leaving five weeks ahead of schedule, following a peace agreement in Portugal on May I between the government and its long-standing opponents, the US and South African backed Unita (National Union for Total Independence for Angola) rebels.

Tibet's 40 years

China, vowing Tibet will never be independent, celebrated 40 years of communist rule over the remote Himalayan region with railies and fireworks under tight security, Reuter reports from Peking. China has been widely criticised by western governments for buman rights violations in Tibet. A Tibetan government official, contacted by telephone yesterday, said some Buddhist monks would attend official ceremonies but most would remain in their monasteries

Amnesty for 258 in South Korea

By John Ridding in Seoul

SOUTH KOREA yesterday amounced amnesties and cut seutences for 258 people jailed for, or accused and convicted of, political crimes, in an attempt to defuse the biggest wave of protests seen in Seoul since 1987.

The move follows yesterday's resignation of the prime minister and comes amid indications that a broader cabinet reshuffle will be announced today.

The moves have been greeted with scepticism

by opposition leaders. But there are signs that the wave of demonstrations, fuelled by the death of a student in disturbances last month,

are beginning to ebb.

Some 74 people will be freed tomorrow and another 30 will have their sentences cut. All were convicted and jailed under the national security law, revised this month. The remaining 154, including Mr Kim Dae Jung, leader of the biggest opposition party, will have charges under the law dropped.

Mr Lim Su Kyong, a student, and Mr Moon Kyu Hyun, a pastor, both sentenced to five years for making unauthorised visits to North Korea, were excluded from the amnesty.

Hawke talks down Australian dollar

By Mark Westfield in Sydney

RESERVE BANK selling, along with a "talking down" of the Anstralian dollar by Mr Bob Hawke, the prime minister, yesterday, triggered a dip to the currency's lowest level against the

US dollar in 12 months. US dollar in 12 months.

Offshore investors appeared to panic after Mr. Hawke said a "somewhat lower exchange rate" would help Australian exporters. The Australian dollar fell US1.5 cents over the day to US76 cents, after being nearly US2 cents down.

Currency markets were nervous ahead of Mr. Hawke's comment. Earlier, Mr. Bernie Fraser, Reserve Bank governor, was reported as saying a 5 per cent depreciation would help cut Australia's current account deficit. The dollar dropped US0.5 cents when the news reached currency

US0.5 cents when the news reached currency

"Ideally, if there were some way of knocking 5 per cent off the exchange rate and nothing else happened. . . it would help the current account adjustment," Mr Fraser had said, adding Australia's inflation rate would fall to 4 per cent within a year. Currency traders began to sell overnight. The Australian dollar has fallen from Y108.4 to Y104.4 in the past four days.

Tunisian exiled leader denies planning a coup

THE exiled leader of Tunisia's outlawed Nahdha Islamic movement denied government charges yesterday that be planned to seize power through a military coup, Reuter reports

from Paris.
"I challenge (Tunislan authorities) to prove these allegations to the Tunisian people in accordance with due pro-cess," Mr Rached Ghannouchi

"Our means for change are civilian and peaceful. We have always opposed a putsch," he told Radio France Internatio-

Tunisia said on Wednesday it had arrested nearly 300 Mos-lem fundamentalists, including 100 army men, accusing them of planning to seize power in a coup and create an Islamic

state. Mr Ghannouchi said that,

over the past few months, eight Nahdha militants had been killed and 3,000 had been detained. Police were hunting another 10,000.

He said Nahdha was a civilisu movement. It had sympath-isers within the army as in other sectors of Tunisian society but they could not be described as militants. Mr Ghannouchi said Tunisian authorities had issued an

international arrest warrant In a letter to the French daily Le Monde, he said Tunisian President Zine el-Abidine Ben Ali had decided last Sep-

tember to crush the Islamic "It is this plan, carefully hatched for several months, which is now being methodi-cally carried out with force,"

Addis Ababa awaits the violence by night

By Julian Ozanne near Tatek in Ethiopia

WITH HEADS hung low, thousands of dishevelled, battle-weary Ethiopian sol-diers retreating from the front-line straggled down a twisting road at Tatek, 30km west of Addis Ababa yes-terday, as rebels continued their push

to the capital. Tension continued to mount in Addis Ababa, for fear of a breakdown in law and order, as armed government sol-diers poured into the city. The government released nearly 200

political prisoners, many of them active in the coup attempt of May 1989, in an effort to make further concessions to The release of political prisoners has

been one of their key demands. But the rebel Ethiopian Democratic People's Revolutionary Front (EDPRF) refused to accept the renewed plea for a cease-fire made late on Wednesday by acting president Tesfaye Gebre-Kidan. Mr Meless Zenawi, a rebel leader,

assured US officials his fighters would not enter the capital until after US-sponsored peace talks are scheduled to start in London next Monday. "Meless is trying to build up the pressure in Addis so that he can dictate terms in London," one US official said.
"But we are not sure whether he has

complete control over his field commanders."
Fighting raged yesterday 8 kms north
of Tatak where at least 30,000 government troops with 40 tanks are dug in.

By afternoon, thousands of troops with torn uniforms, machine guns and rock-et-propelled grenades were heading into the capital.
Hundreds hobbled on makeshift

crutches, their limbs blown off in recent fighting. Others had their arms in slings and their heads bandaged. Most of the wounded were from among the 3,800 patients at the military hospital in Tatek, closed yesterday apparently in preparation to evacuate the town. As the government army entered the capital in disarray, Ethiopians savoured the taste of freedom for the first time since the former dictator, Mengistu Haile Mariam, fled the country on Tues-

In marked contrast to the anathy which has so far characterised the city's residents, hundreds of people danced and chanted as a 30ft statue of Lenin, the last left in black Africa, was taken down.

People threw stones at it, spat on it and tried to set fire to Lenin's face with-

flaming pieces of paper.

But underlying the first signs of cele-bration, many remained subdued at the prospect of rebels entering the city. Soviet T-72 tanks were, for the first time, positioned outside all the entrances to the Menelik Palace, the residence of Mr Gebre-Kidan and the stronghold of the highly-trained 3000-

strong presidential bodyguard. As the first reports of looting ad highjacking of cars on the outskirts of the capital began to reach them, many people left their jobs for home, fearing an outbreak of violence at night. The 9pm-5am curfew remained in force.

Hundreds milled around on the

streets watching the soldiers limping in. "It has all the signs of a city just about to disintegrate into anarchy and violence," one western observer said. But hopes, however skim, still remain that the rebels will pause outside the city until the London talks, where a broad-based transitional government

broad-based transitional government could be agreed, paving the way for a ceasefire and democratic elections.

Both Mr Zenawi and Mr Issayas Afferwerki, leader of the Eritrean People's Liberation Front, who were fighting yesterday south of Asmara, told the US they would come to London to negotists seriously.

and the control of th

a over US and Japan ong air fail to settle construction row

By Robert Thomson in Tokyo

THE US and Japan yesterday failed to settle a dispute over foreign access to Japan's con-struction market, and US officials warned that sanctions would be imposed on Japanese construction companies in the US unless there was a resolution before the end of May.

Negotiators are likely to

meet in Tokyo again next week, but Mr Michael Fairen, the US under secretary of com-merce, said the countries were still far apart in talks on assigning projects in Japan for which foreign companies will receive special treatment.

The two countries are negotiaccord designed to give US contractors needed experience in the Japanese market by targeting 17 public works resident geting 17 public works projects for which there would be spe-

for which there would be spe-cial application procedures. Mr Farren said Japan has nominated about a dozen more projects, while the US wants about two dozen projects on

reform **barriers** says Delors

suggested new projects, Japa-nese officials insisted that there was a "timing" problem.
"They say the project is too
early or too late for inclusion. That's a not surprising answer. That's the answer foreign firms have heard for decades. They are just too early to get one (a contract) or just too late," Mr Farren said.

Japanese officials argue that the original agreement was

meant to be a once-only oppor-tunity for a special introduc-tion to the market and that a new agreement with extra pro-jects goes against the spirit of the first accord. In late April, Mrs Carla Hills, the US Trade Representative, said that Japanese companies would be barred from federally-funded construction projects from May 31, unless the dis-pute was resolved.

Mr Farren said yesterday that the ban may not immedi ately affect a large number of Japanese companies, but could he list. cause longer-term damage to He said that when the US their credibility in the US.

UK awarded Kuwait rn to banks schools contracts

त्र करणा है जो कि अधिवास के अंगर क्षेत्रकार के से क्षेत्रकार के कि उस स्वर्ध की स्वामितिक के कार्य के अंगर के जान करणा कार्य

By Mark Nicholson

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Lander - Contract

126.77

Service (Section)

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JOHN LAING International and the British Council yesterand the British Council yester-day signed contracts worth up to £40m (\$69m) to supply Kuwait with equipment and advice to enable its schools, which were gutted during the Iraqi occupation, to reopen by September.

The countracts are among the largest so far won by British

largest so far won by British groups during Kuwait'a reconthe first designed to repair the emirate's social services.

John Laing will manage the procurement and installation of equipment for 205 schools, mainly to replace technical facilities looted from school laboratories. The British Coun-cil will offer curricular and technical advice to the Kuwait ministry of education.

The deal follows a visit to Kuwait in April of a consor-tium of British educationalists and industrialists, spearheaded hy the British Council, after the Knwait government had indicated it was placing a pri-ority on opening its schools

and universities.
The government viewed the resumption of normal educa-tion as essential if the thouds of Kuwaiti families who fled the invasion were to be encouraged to return to the

A team from the British Council will visit Kuwait next week to draw up specifications for the equipment to be pro-vided under the deal. UK educational suppliers will be invited to tender for components of the contract.

Tokyo must | Talking gets tough in Japan trade debate

By Stefan Wagstyl In Tokyo

MR Jacques Delors, president of the European Community, yesterday urged Japan to reform internal barriers to foreign trade and investment.
In language reminiscent of
US attacks on restrictions in
Japanese markets, Mr Delors
said: "The most important
thing now is the hard core of the Japanese system: structural barriers - whether it be the distribution system or the closed nature of industrial groupings; barriers stifling the propensity to consume and import; and tight control over the domestic market as a basis for controlling external mar-

We cannot be satisfied with "We cannot be satisfied with declarations of good intent in all these areas. The only way of getting to the root of Japanese over-competitiveness is through hroadening our approach (in tackling internal barriers)." Mr Delors did not explain what he meant by over-competitiveness, but made clear he expected Japan to cut its surplus with the EC. Mr Delors was speaking to Japanese and European offi-cials and businessmen during a visit to Japan which is due to end tomorrow. Asked about the views of Mrs Edith Cresson, the new French prime minister, who has attacked Japanese trads policies, Mr Delors said Mrs Cresson's message was an expression of con-cern about Japan's capacity to reach a balance in economic relations and a warning that Europe intended to increase its

competitiveness.
Mr Delors gave credit to Japanese steps to open markets to imports, but said they were not enough. The trade deficit was widening again. Also, trade flows alone were not the real issue, but "technological and industrial dependence." Mr Delors suggested that European companies faced being dependent on Japan because they could not enter the Japanese economy as well as Japanese companies could enter Europe. "We must never forget that the ratio between community investment in Japan and Japanese invest-

in the region of one to 17."

Robert Thomson finds mistrust and suspicion on both sides of the table in SII talks shift this week in the trade debate between

Washington and Tokyo. Both governments have taken to blaming the other's companies for the bilateral trade imbalance, and US officials are hint-ing that investment opportunities for Japanese companies could be restricted in the US.

Addressing the causes of US economic ills, Mr Makoto Utsumi, Japan's deputy finance minister, raised the subject of executives' remuneration and "a certain US car company" that pays Its chairman 150 times more than its skilled workers.

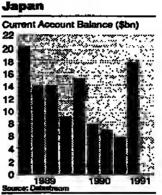
workers.

This criticism of companies is, in part, a reflection of the governments' inclination to point to their own good works and to justify the existence of the Structural Impediments Initiative (SII), designed by them to address the basic causes of the trade imbalance. SII has involved discussion of weighty issues such as educa-tion, public works spending, and the US budget deficit. But the increasing focus on corporats hehaviour also reflects Washington's convic-tion that trade problems will remain unsolved until the inflnence of the keiretsu is diminished. Keiretsu are the Japanese corporate groupings characterised by cross-share-holdings, close business rela-tionships, and regular meet-

ngs of the member companies' tant US treasury secretary, took the criticism further by suggesting that Japan's other ings of the member companies'

promises made a year ago, US trading partners are growing officials congratulated the Jap more frustrated with keiretsu anese government on having increased infrastructure invest ment, partly deregulated the distribution system, and continued the liberalisation of foreign investment.

But, on keiretsu, the US report on Japanese reforms said that these groupings,



which include most of Japan's best-known companies, often tend to foster preferential group trade and anti-competi-tive activity, and impede foreign direct investment". The US noted "a lack of willingness to deal with the problem of cross-shareholding" and that the keiretsu "remain a formidable barrier". Mr Charles Dallara, an assis-

obstruction and Japanese companies may find that restrictions are imposed on their international activities. Japanese companies, he said wryly, should show their famed long-term business sense and make the changes. Bnt Mr Utsumi at the

But Mr Utsumi at the Finance Ministry suggested that US officials are "confused" by the keiretsu, whose close ties are mistakenly interpreted as sinister collusion, and that prevail US criticism arises from a misplaced sense of victimisation by Washington.

Finance Ministry suggested that US officials are "confused" by the keiretsu, whose close ties are mistakenly interpreted as sinister collusion, and that US criticism arises from a mis-placed sense of victimisation by Washington. He also chipped in with the idea that corporate America would be more competitive if executives did not set their own salaries. The formal Japanese review of US progress in implement-ing SII progress over the past

year also contained similar advice: "Excessive executive compensation may bave adverse effects not only on the morale of the employees, but also on corporate savings." The report suggested that Washing-ton "review the tax code" to reduce these "excessive" sala-

Washington was also advised to "induce long-term corporate behaviour, which is the nese way of saying that US companies have to broaden their vision. One suggestion was that corporations should make profit statements "less frequently than quarterly, while the US government should monitor mergers and acquisitions to ensure that "reasonable" lending practices

Tokyo's suggestions may indeed help to strengthen US companies but, as has been the case since the SII process began two years ago, Washing-ton would prefer to make Japan more like the US than to make the US more liks Japan. And while Japan's current account surplus fell from \$57bn in 1989 to \$36bn last year, the figure has been on the rise in

recent months. In pressing for change, US officials this week released a joint price survey conducted under SII that showed prices of comparable products are on average 37 per cent more expensive in Japan than in the US and, curiously, that the same bottle of Japanese-made sake was 44 per cent more

To increase competition, the US wants a toughening of antimonopoly legislation, including higher penalties than the present 6 per cent of sales over a maximum of three years. Washington also wants crimi-nal actions launched against violators and tougher criminal fines, which it says are now less than 0.5 per cent of those in the US and Canada.

As for the keirctsu, Washington wants Japan's Fair Trade Commission (FTC) to monitor transactions within the groups to see if there is any bias in the buying patterns, and would like the commission to target a specific industry sector, say, car makers, and to study the behaviour of companies such as Toyota and Nissan.

US officials accept that the FTC has become more active investigstive staff has been increased by 7 per rent over the past year and the number of anti-monopoly rulings rose from 7 to 22 - but there is still a sense in Washington that the commission is selective about its targets and that the most influential Japanese companies

are not investigated.
This US sense of corporate conspiracy, unfortunately, has been foelled by the outcome of one successful FTC investigation. The commission found that Japanese companies had routinely rigged bids for work done at US military bases in

CoCom nears pact on exports EC to put anti-dumping

WESTERN allles were fied product categories. Almost yesterday evening nearing agreement, a day early, on the final details of a wide reduc-tion in strategic export con-trols on technology sales to the Soviet Union and the former East bloc. A meeting of sub-ministerial

officials from the 17 countries of CoCom (Co-ordinating Committee for Multilateral Export Controls) was yesterday after-noon putting the finishing touches to a two-thirds cut in the number of export goods subject to vetting by CoCom.

The accord will replace the former CoCom list of 120

restricted goods with 10 simpli-

any civil technology product outside the list can be sold freely to the east after late June or early July, when the new rules are due to have been put into effect by national export licensing bodies.
The so-called core list includes industrial products

with potential military value like high speed computers, advanced telecommunications equipment and information protection devices, advanced materials and machins tools, sensoring systems, navigation and avionics equipment, marine technology and propulsion systems.

CoCom, which embraces all of Nato, minus Iceland hut plus Japan and Australia, will con-tinue to control exports of munitions and atomic energy products.

This fills in the detail of an ontline liberalisation accord struck last June in recognition of the political reforms in east-

ern Europe. Since then the Gulf war and the Soviet military's response to the upheavals in the Baltic republics have encouraged fresh caution within CoCom over the level of technology to be freed from controls, but not over the principle of stream-lining the restrictions.

duty on sweetener import

THE European Community will impose anti-dumping dnties on a cut-price low-calorie sweetener imported from the US and Japan, EC officials said yesterday, Reuter reports from Brussels.

The EC's executive commission has already slapped provi-sional duties on imports of the sweetener, Aspartame, from NutraSweet of the US and Japan's Ajinomoto. EC ambassadors had finali-

sed the decision, according to one diplomat, leaving it to be formally approved by EC ministers next week.
Under EC rules the provi-

sional duties - \$38 per kilo on the US imports and \$41 on the Japanese imports - would lapse if EC governments did not decide to make them permanent within the next fev

days. The duties, adding 70 per cent to the company's export prices, were designed to protect the Community's sole producer, the Holland Sweetener Company, which had complained of heavy losses.

Nutrasweet and Ajinomoto

sell in the Community through a jointly owned Swiss com-pany. The EC imports 700 tonnes of the sweetener a year.

This announcement appears as a matter of record only



has entered into a

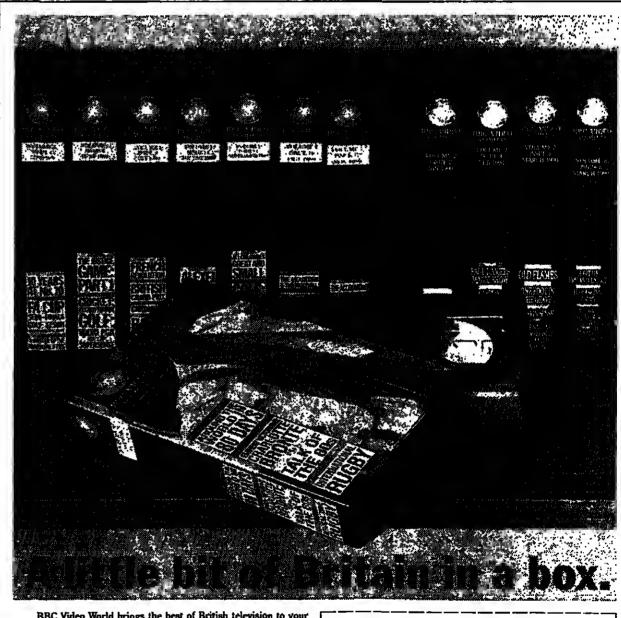
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Saddam's secret South African connection

A steady flow of illegal missile technology was exported from the US with full CIA knowledge

"I have been helping our US intelligence agencies throughout the 1970s and 1980s."

¶ HAT seems an unusual state ment for the former deputy chairman of a company listed on the London Stock Exchange. But then the man in question - Mr James Guerin - and Ferranti, the company be is accused of swindling - have been at the centre of a most unusual set of circumstances. Now, it is clear, those circumstances included an arms traffick-

ing ring which connected the US, South Africa, Chile and Iraq. To those who knew him in his home base of Lancaster, Pennsylva-nia, set in Amisb farm country, Mr Guerin seemed tha ideal family man, churchgoer and philanthropist. In 1989, however, wheo Ferranti, the British defence company,
found itself the victim of an arms
contract fraud now estimated by US
investigators to total \$1bn, Mr
Guerin became linked to one of the biggest corporate scandals in Brit-ish commercial history.

Ferranti hlamed the fraud on International Signal and Control (ISC), a little-known Pennsylvania electronics business it bought from Mr Guerin in 1987. Ferranti paid \$700m for ISC and made Mr Guerin

deputy chairman.
Faced with a growing scandal, Ferranti swept aside its top man-agemeot and hrooght lewsuits against a number of ISC executives, including Mr Gnarin. Farranti alleges that Mr Guerin overvalued ISC through a "stupendous conspiracy" involving inflated or non-existent contracts.

But Mr Gnerin's defence to his friends in Lancaster was always that his company's activities were sanctioned by the US government. "He was constantly boasting about his connections in Washing about his contacts with tha CIA," recalled one of the former ISC executives who will soon be indicted by a grand jury presently sitting in Philadelphia. Now, it seems, there was something in these claims. In the US, a small army of prose-

cutors, law anforcement officials, Pentagon investigators, the FBI, the Internal Revenue Service (IRS), the Securities and Exchange Commis-sion (SEC) and the Customs Service are trying to unravel the story. One senior member of tha task force recently described the task es "quite frankly beyond our physical, hudgetary or Intellectual

A joint investigation by the Financial Times and ABC News/ Nightline, drawing on interviews with US government officials, former ISC executives and other



James Guerin: centre of growing international arms scandal

sources, has established that: The Central Intelligence Agency (CIA)had detailed knowledge of regular, illegal shipments between 1984 and 1988 from the US to South Africa. The shipments consisted of US ballistic missile equipment.

Federal officials say they have good reason to believe that some of the US ballistic missile technology sent to South Africa was shipped on to Baghdad, where it was used in President Saddam Hussein's missile

Senior British sources have confirmed that missile technology jointly developed by ISC and South Africa was offered for sale to other Gulf states. The sales, according to these sources, ware blocked by Beltain Britain.

 Advanced radar-controlled antiaircraft equipment shipped by ISC to South Africa found its way to Iraq in time for the Gulf war.
"Do you remember watching the anti-aircraft bursts from Bagh on CNN thet first night of the Allied bombing in January? That was some of the stuff which got to Iraq through the ISC-Gamma ship-ments to South Africa," said one US ments to South Arrica," said one US senior law enforcement official.

For the most part, however, Iraq appears to have made limited use during the Gulf War of sensitive equipment supplied to it. "Iraq appears to have got very little for its money" was one official's verdict.

 ISC cluster bomb technology was sent to Mr Carlos Cardoen, the Chilean arms dealer who is one of Baghdad's biggest suppliers. The transfer, in the form of hlueprints, drawings and design technology, was carried to Santiago in suitcases

 ISC and the Chilean secret police co-operated to build a cluster bomb factory in Santiago. The hlueprints for this factory were then sold to Iraq by Mr Cardoen. ISC also shipped cluster bomb fuses to South Africa from where they were shipped on to Iraq, by way of Chile. One of the curious aspects of this clandestine trade is thet Sonth Africa and Israel, Iraq's arch enemy in the Middle East, have a growing relationship which includes a weapns exchange programme. US officials explain South Africa's

> James Guerin, linked to one of Britain's biggest corporate scandals, was at the centre of an arms-trafficking ring a joint Financial Times/ABC Nightline has discovered. Alan Friedman, Lionel Barber, Tom Flannery and Eric Reguly report from Washington.

> > ISC equipment could be sent before being shipped with false descrip-tions aboard airliners bound for

sanctioned intelligence venture until 1977, when the newly installed Administration of President Jiminy Carter decided to call a halt to many clandestine operations. He also placed an embargo on US ship-

Gamma continued to operate as a

South Africa.

alectronic sensors, optics and related equipment to South Africa — without the normal export.

licences - in an intelligence ven-ture to supply listening posts to track Soviet submarines off the

Cape of Good Hope.

Mr Guerin and tha NSA set up a front company or "cut out" that gave the govarnment "plausible deniability" — meaning that if the operation ever came to light the US

government could offer a credible denial of involvement. The front

company's name was Gamma Systems Associates.

parallel trade with Iraq primarily as means for Pretoria to earn foreign exchange in the 1980s as it strug-gled to overcome a debt crisis and

economic sanctions.

ISC's tangled relationship with
US intelligence can be traced back
to 1974 when Mr Guerin, working
with the National Security Agency (NSA), the electronic eavesdropping agency, set up a front company as part of a US-sponsored covert opera-

Known as Project X, the opera-tion's purpose was to ship advanced

1970s had lent him \$2m to keep his Gamma was a "mail and phone drop" at JFK Airport in New York. It was literally an address to which company afloat.

Then in 1984 Mr Guerin approached the CIA and offered to

act as an "eyes and ears" for the Agency. It was about this time that Agency, it was about this time that shipments (at times on a weekly basis) of sensitive equipment for long-range ballistic missiles began flowing to Sonth Africa along a route through Gamma identical to the original intelligence channel.

Customers included Armson, the South African government's main defence firm, and private companies

Africa hegan to develop a long-range ballistic missile capable of carrying a nuclear warhead, scouring the world for key components and testing equipment.

By then Mr Guerin had developed thems they after the problem for the statement of the second that the second for the sec

strong ties with Barlow Rand, the South African group that in the

in South Africa. Armscor yesterday refused to comment. ments of militarily useful technology to South Africa.

According to US officials, Gamma court documents which include bills of lading, receipts and invoices as well as itemised shipping papers continued to ship electronics to South Africa for ISC in the early 1980s. This occurred, according to clearly label the items as: not to be exported from the US without a former senior Reagan Administra-tion officials, in 1982-83, when South

'Advanced radar-controlled anti-aircraft equipment shipped by Mr Guerin's

The shipments included telemmetrue soignmens inclined telefame-try tracking antennae, which follow missiles in flight and pick up data such as fuel consumption, velocity and gravitational forces. Other items include gyroscopic equipment used for the guidance systems of ballistic missiles.

hallistic missiles.

Among the most sensitive equipment shipped were photo-imaging film readers, necessary to determine the performance of missiles.

A former high-ranking US intelligence official with electronics expertise said the antennae and the meader and the meader and the meader.

film reader, used together, would form the "backbone" of a system to develop medium-range missiles. Some equipment could have been

sold legally to South Africa under the umbrella of "dual-use" technology with both civilian and military applications. But most of the items exported by ISC were shipped without an export licence and in violation of the US embargo. ISC's sales abroad also violated the Arms Control Act which requires State Department approval of such muni-

tions exports.

Throughout the critical period of

company to South Africa found its way to Iraq in time for the Gulf war' illegal sales - from 1984 until November 1988 - ISC executives travelled regularly to South Africa to supervise the transactions.

Among the key ISC executives involved was Mr Robert Clyde Ivy, an electrical engineer and missile expert who was recruited by Mr Guerin while a consultant for Arms-cer in South Africa in 1977.

Guerin while a consultant for Armscor in South Africa in 1977.

Several former ISC executives, including Mr Ivy, are preparing a "CIA defence" in which they will use the company's relationship with the intelligence services as a factor which justifies their activities. A similar defence is being prepared by General Manuel Noriega, the deposed Panamanian leader about to he tried for drug smuggling.

Law enforcement officials say

Law enforcement officials say that the mere existence of a CIA relationship would not mitigate the

crime of illegal exports, but the larger question remains why the CIA would fail to halt such illegal According to US officials who insist on anonymity, at no time did

the CIA ever seek to halt the ship-ments or turn over its information to the FBI or other law enforcement agencies. Mr William von Raab, for-mer Commissioner of Customs, questions this arrangement since it raises issues about the CIA's accountability and whether the

AMERICAN NEWS

US recession nearly over say business economists

THE US recession is nearly over, claimed a group of US business economists yesterday, as figures from the Commerce Department showed an encouraging 2.9 per ceot rise in orders for durable manufactured goods last month, the first increase since December. The report, by the National Association of Business Econo-

Association of Business Economists, showed that more than 70 per cent of 58 professional economists — polled in early May — said the economy had already hit bottom or would do so by the end of June. However, were the a question of the control of ever, more than a quarter did not expect the recession to end until the third quarter of this year or later.
The poll showed husiness

economists united in expecting a slower than normal recovery from recession. The association's median forecast indicated growth et an annual rate of 2 to 3 per cent during the second half of this year and early 1992. This compares with an average growth rate of about 6 per cent in the after-math of previous post-1945

The rise in orders for durable goods follows other mildly encouraging signs, including a

to Britain, Mr Mario Cámpora, yesterday called for restoration

of direct links between Argen-

tina and the Falkland Islands

in the South Atlantic. Sover-

eignty over the islands is still disputed by Britain and Argen-tina, which fought a war on

At a meeting of the Anglo-

Argentine society in London yesterday. Mr Campora expressed pleasure at the resto-ration last year of UK-

Argentine diplomatic relations.

but he described as "unfortu-

nate" that "no progress has

been possible in the relations

between the islands and the

the issue in April-June 1982.

facturing production could be stabilising.

However, although orders figures for last month exceeded expectations in financial markets, such numbers for April are notoriously volatile. The increase last month failed to make good a 4.5 per cent drop in March and left orders 7.4 per cent lower than at this time last year. The orders figures are

attracting particular attention because they provide early warning of trends in capital spending. Some analysts have speculated that a decline in industrial investment, which slumped in the first quarter, could provide a second leg to

Mr Alan Greenspan, Federal Reserve chairman, cited weak March orders figures as a justification for the most recent cut in interest rates. He had said this week that the first sign of an economic turnaround would "show up in the order books of the major materials produc-

Falklands' relations with mainland raised

THE ARGENTINE ambassador Argentine mainland.*

increase in orders reflected increased demand for electronic components. Orders rose in all main industrial sectors except transportation, which fell hy 45 per cent. Orders for non-defence capital goods (excluding the volatile aircraft sector) — which analysts regard as the single hest guide to civilian investment trends — rose 3.5 per cent trends - rose 3.5 per cent but remained more than 5 per cent below the level of a year

ago.

The husinass economists' confidence that the US economy will soon revive is shared by Bush Administration officials. In recent days, both Mr Robert Mosbacher, Commerce Secretary, and Mr Richard Darman, Budget Director, have claimed a turnaround is under way.

Some economists, however, remain sceptical. Mr Philip Braverman, chief economist at DKB Securities in New York, said he saw no reliable evidence that the recession was about to end. He expects levels of personal and corporate debt unpracadanted in recent decades to prevent recovery rs." before the final quarter of this More than half the April year at the earliest.

Mr Campora's remarks yes-terday appear to raise the mat-ter in less diplomatic language

than has been so recently. He

said: "Isolation and intransi-

gence help no-one. It is all the more regrettable when our efforts are ignored, or animosity is the only answer."

This public implication that British diplomacy has rebuffed Argentine efforts at restoring direct links with the Falklands, which enjoyed a regular size

which enjoyed a regular air

link with Argentina before the

1982 conflict, will please Falk-landers hut dismay those bop-ing that the matter was still

low on the Argentine diplo-

Argentine envoy calls for links

The ambassador added: "We have consistently made clear

our will to rebuild the hridges

but the response so far has been disappointing. I believe it is time – indeed long overdue – to find a new spirit."

President Carlos Menem,

when he took office in Argen-

tina in July 1989, agreed to

place the dispute about sover-eignty over the Falklands under a diplomatic "umbrella"

- to give it a lower priority in

Argentine foreign policy. In

March this year, relatives of Argentine war dead buried on the islands were allowed a one-day visit to the Falklands.

GENERAL Colin Powell, chairman of the US joint chiefs of staff

GENERAL Colin Powell, chairman of the US joint chiefs of staff and the country's scalor military officer, has been reappointed to a second two-year term, in a spite of recent reports that he had initial reservations about the military strategy which President George Bush adopted in the Gulf crisis.

He and Mr Bush (left) are pictured above as the president announced Gen Powell's reappointment.

A new book, The Commanders, by Mr Bob Woodward of the Washington Post and heavily reliant on interviews with the general, reports the general as having favoured a strategy of containing Iraq, before the decision was taken last autumn to double the size of US forces in the Gulf.

Both Mr Bush and Gen Powell yesterday dismissed talk of any differences, though the president admitted that the general had set out the risks and was not rushing to commit troops to battle. The expected reappointment of Gen Powell also ends what was always highly unlikely speculation that Mr Bush might choose him as his electoral running-mate next year in place of Vice-President Dan Quayle.

Surinam votes in army shadow

THE ARMY in Surinam is expected to continue exercising strong influence over govern-ment, regardless of the out-come of national elections to

be held tomorrow, writes
Cannte James in Kingston.
The bloodless military coup
last December in the former Dutch colony, on the north-east coast of South America with a population of 400,000, was followed by an interim government, headed by Mr Johan Kraag.

Army officers had charged that Mr Ramsewak Shankar, former president, had publicly insulted Mr Desi Bonterse, Surinam's military strongman.

Salvador talks for Venezuela

VENEZUELA is to be host for the next round of peace talks between the government of El Salvador and the central American country's left-wing rebels, the FMLN, writes Joe Mann in

The negotiations will deal with a possible cease fire in the conflict that has cost tens of thousands of lives in El Salvador over a decade.

There has been no announce-ment in Venezuela of a date, but the talks are expected within a few weeks. FMLN representatives are reported to include both political leaders and a rare appearance of commanders from the field.

Congressional votes advance plans for bank liberalisation

By Peter Riddell, US Editor, in Washington

PROPOSALS to allow US banks to expand both geo-graphically and into new activ-ities have won the backing of a House of Representatives com-mittee, though they face more legislative hurdles over the next few months.

The financial institutions

sub-committee of the House Banking Committee has approved this week much more of the Bush administration's plan for a radical overhaul of the US banking structure than was widely axpected a few

weeks ago.
In particular, the sub-committee agreed to allow banks to open nationwide branch networks. At present, bank hold-ing companies have to set np separately capitalised subsidiaries in each state. An amend-ment to make inter-state branch banking snbject to approval by individual states was defeated by 24 to 12. Both the Treasury and federal regulators believe that nationwide branches are the

key to raising the efficiency and profitability of US bank-

ing, while leading to mergers among tha 12,300 US banks. The sub-committee has also approved proposals to allow banks to affiliate with securities firms, rejecting proposals from the securities industry which would have prevented securities affiliates from offer-ing credit and investment banking services to the same customers. However, various restrictions were imposed to protect customers and limit the ability of banks to become involved in insurance.

On the other hand, members approved by one vote an amendment that would prevent such expansion unless banks meet standards of community investment by showing that they are satisfying local credit needs for housing and business.
These victories for the Trea-

sury have been only partially offset by a decision to defer action on its call for an overhaul and simplification of the complex of agencies which reg-ulate banks (in part also opposad by the Federal Reserve). This deferral is via the establishment of a task force to look at supervisory

reorganisation.

Administration proposals to limit the number of accounts in any one bank to be protected by federal deposit insurance have also been rejected, as has the discretionary power to reimburse uninsured depositors in failed banks under the too-big-to-fail doctrine.

Moreover, Treasury propos-als to allow commercial groups to acquire banks look unlikely to be approved this year.

Many of these proposals may be further amended in later stages of consideration by the House or in parallel debates in the Senate, though the latter has been more sympathetic to calls for comprehensive bank-ing reform.

for all that, the prospects for wider reform have heen advanced in recent weeks. despite earlier attempts hy some Democratic leaders in the House to limit legislation this year to recapitalising the bank deposit insurance fund.

Washington to consult western allies on aid for Moscow

US wary over Soviet reforms

By Peter Riddeli THE BUSH administration is

considering how the US and other western countries can assist Soviet economic reform, though it is unwilling to offer help until President Mikhail Gorbachev has firmly commit-ted himself to a credible reform programme.
Mr Bush yesterday took a

deliberate non-committal line, saying "all options are open." He said he wished to talk to other western leaders "to see what we can do to help genu-ine reform in the Soviet Union." The president stressed the US desire to move forward. bnt also its concerns about practicalities and the Soviet Union's creditworthiness.

in Congressional testimony yesterday, Mr James Baker, Secretary of State, said the US "continues to study various ways in which we can assist Soviet economic reform, but the usefulness of our efforts still depends, above all else, on the choices that the Soviets themselves make." Senior US officials, in the

State Department and the White House, have held talks this week with Mr Grigory Yavlinsky, who has prepared an economic assistance and an economic assistance and reform proposal, known as The Grand Bargain, with a group of prominent Harvard professors. These include Mr Robert Blackwill, until last year the senior Soviet and European adviser on the National Security Council staff.

A Soviet delegation — headed by Mr Yevgeny Primakov, senior economic adviser to Mr Gorbachev, and Mr

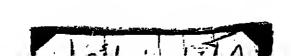
to Mr Gorbachev, and Mr Vladimir Shcherbakov, a dep-

uty premier - will visit Washington next week to discuss what Mr Bush has described as Mr Gorbachev's "new ideas on

economic reform."

The most likely immediate
US response is the provision of
technical assistance, rather than large-scale financial sid. apart from farm credits already under consideration. The Bush administration

wants to assess the views of the Soviet delegation before it decides what can be done and whether Mr Gorbachev should attend the annual summit of the Group of Seven heads of government in London in mid-July. Mr Robert Zoellick, one of the main architects of US Soviet policy and the main US Soviet policy and the main US sherpa in preparing for the summit, met Mr Yavlinsky this



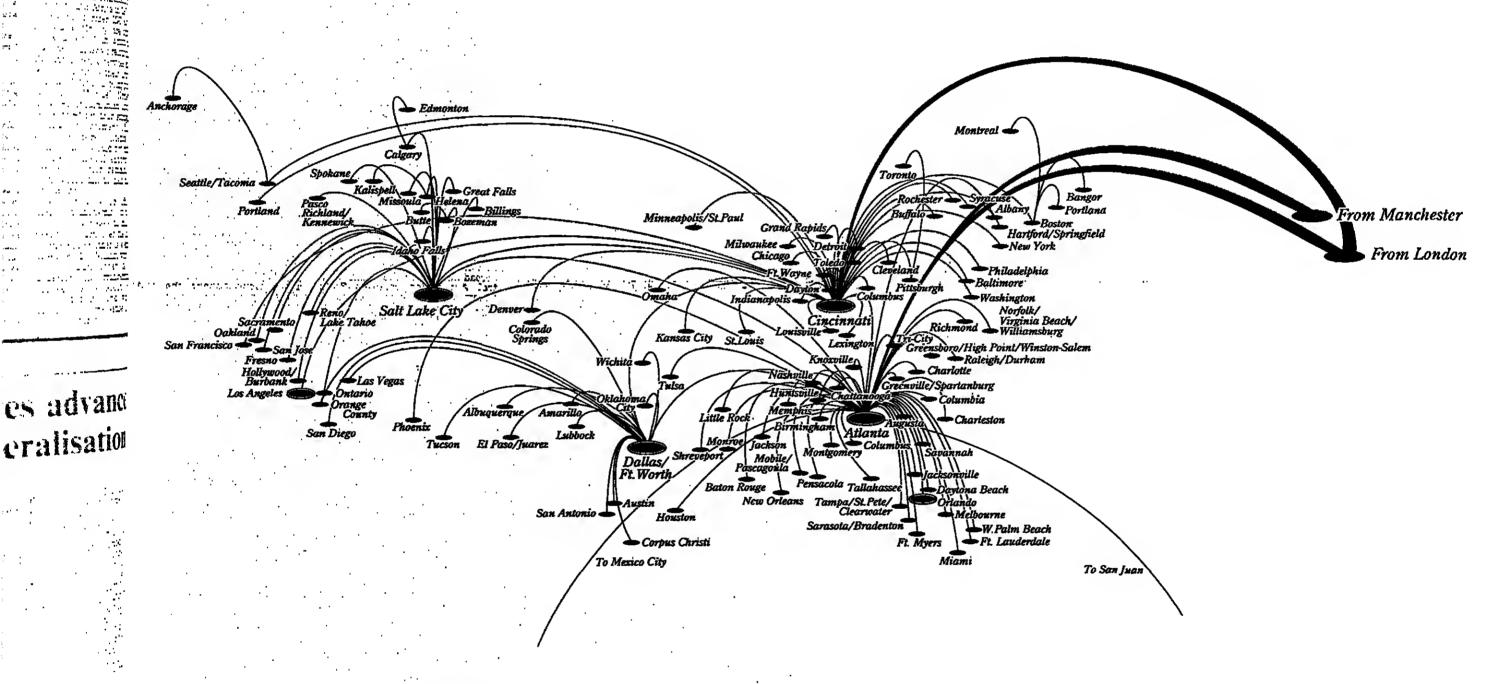
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viet reform



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UK NEWS

Major under fire over delayed tank order

By David White, Defence Correspondent

SIR DAVID Plastow, chairman of Vickers, the UK engineering group, has told the prime minister, Mr John Major, that Britain has mada itself the laughing-stock of the Middle East" by lts indecision about ordering a new tank for the British army.

He has warned that if no decision

was made soon on its new Challenger 2 tank Vickers would have to disband the engineering team working on the proj-

Although ministers are thought to be agreed that the Challenger 2 should be chosen, Vickers has become increasingly irritated by what one senior exec-utive called "dithering" by the govern-ment and the impact it has had on

Vickers hopes to sell tanks to Saudi Arabia, Oman and the United Arab

Emirates, and in the longer term to Knwait, but says potential clients are waiting for British endorsement of the

Germany is understood, meanwhile, to have turned down a request by the UK ministry of defence for the lease of Leopard 2 tanks as an interim replace

that it would only agree to the leasing proposal if Britain opted for the Leop-ard 2, in an improved version, as its new-generation battle tank. Both the Germans and the other

main competitors for the British con-tract, General Dynamics of the US, now regard this option as highly unlikely. They believe that the praise heaped y senior British officials, including the

ment for some of the older tanks in the fleet of the British Army of the Rhine. The Bonn defence ministry replied prime minister, on the performance of the current Challenger 1 in the Gulf points to a certain decision in favour of its Challenger 2 successor.

The UK approach for the lease of tanks would have involved between 90 and 100 tanks to equip two three squadron regiments. These regiments field 42 tanks each, but some spars tanks would be required. Despite the register Con-

tanks each, but some spare tanks would be required. Despite the negative German response, further discussions are thought possible.

An announcement ou the British tank procurement decision is not expected until mid-June. This would be nine months after Vickers' completion of a "demonstration phases" for the Chaldemonstration phase" for the Challenger 2, under an MoD contract.

It is thought the government wanted to hold back an announcement until

in Brussels next week, which will dis-cuse plans for a British-led rapid reac-tion force in Europe.

The initial contract is expected to be

for as few as 127 tanks, less than a quarter of the quantity originally expected, with further batches of 200 tanks

later on.

A contract of this size would be worth about an initial £300m to Vickers.

General Dynamics declined to make a "conforming bid" in April but wrote to Mr. Major offering to hold its previous unit price for the M1A2 Abrams tank and to give British industrial partners a configurate short of extent business for ant share of export be

Both Germany's Krause-Maffel and France's GIAT Industries, which is proposing its new Lecierc tank, made fresh

Shrinking deficit fails to allay fears over trade

S fewer cargo ships unload foreign goods on Britain'e quaysides, it has become more fashionable to say that the balance of payments is no longer a prob-

Like many fashions, this belief may not stand the test of time. Embedded in yesterday's trade figures was evidence that imports are rising again, while exports have been flat since the antumn and are set to remain low.

The deficit shrank from £20hn in 1989 to £13bn in 1990. Yesterday's announcement of an April current account defi-cit of £339m is within the Treasury's forecast of £6bu this

The opposition Labour party was quick to complain that Britain was slipping into the red. Meanwhile, Mr Mervyn King, chief economist at the Bank of England, says there is little agreement as to how much a "problem" the balance of payments is. Some economists say a defi-

cit simply means a country is spending more than it earns, which make people consume and borrow on optimistic assumptions about future out-

They point out that countries with large surpluses — Germany and Japan — have seen them dwindle since 1989 just as those with deficits — the US and the UK — have seen them shrink.

"It is a private sector prob-lem financed by tha private sector," Mr King says. This chimes with the argument that the closer the UK moves to economic and monetary union with Europe, the less of a prob-lem financing its deficit

But for the many economists who feel that deficits still matter, there is plenty to worry about in the UK's exporting performance, in spite of the slenderness of the deficit of £1.7bn in the three months to

April.

They argue that not only has the UK failed to live up to expectations that it would export its way out of recession, but its inability to do so

There are also growing fears that continuing slack export volumes, the high exchange rate and a slowdown in Germany will impeda the UK

Professor Wynne Godley, of King's College, Cambridge, argues that failure to balance imports with exports "drives output to the levels at which trade does match."

Applying Sherlock Holmes's principle that it is a mistake to theorise without data, we cannot say such a convergence is about to happen. But the latest statistics do suggest that a deficit could grow to haunt the government just when it thought the problem had been obscured by plunging import

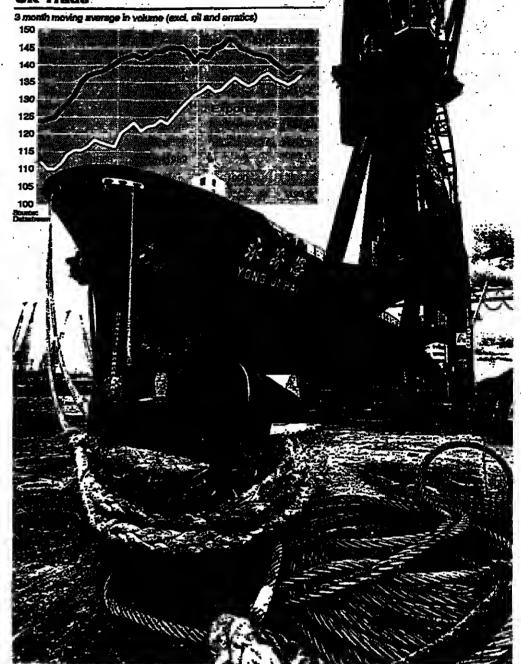
Thay indicate that the shrinking trade gap is the consequence of low domestic demand rather than supply-side improvements, and is therefore cyclical, not struc-

forecast for the end of this year, notably this week hy Mr John Major. This has raised the worry that the upturn in consumer demand would produce a ballooning deficit.

The Treasury describes nonoil export volumes as "flat since autumn", with any improvement in the account produced by dropping imports. The trend in export growth is down to an annual rate of under 1 per cent from 6.5 per cent in the third quarter of last year. As from April, import volumes stopped falling. On the evidence of last few

deficit is now stuck at between £1.1bu and £1.3bn a month. **Economists at Greenwell Mont** agu, the investment bank, say that "the significant improve-ment recorded in 1990 will not be repeated in 1991." In the first quarter if this year, exports (excluding oil and erratic items) were actually % per cent lower than at the end of last year, they note. Barclays Bank eays the

marked slowdown in export



growth helped transform tha downturn into "outright reces-

sion." What happened to cause this collapse? According to Mr Chris Dillow, of the Nomura Research Institute, exporters were hit by tha recession, which meant cutbacks at home; then there was the gathering of recessionary forces outsida Europe, which sharply reduced exports to the US - by 19 per cent in the three months to April. The

flexibility to divert production to buoyant markets never materialised, he says. France and the UK were the slowest of the major economies to channel exports to the new Ger-

The US, which weut into recession et the same time, fared better. Its export performance was cushioned by a weak dollar and sharp drops in unit wage costs. Between early 1985 and late 1990, US unit

wage costs dropped 55 per cent; while the UK'e rose by 17.8 per

There is evidence that the UK switched to European markets. Export volumes to the EC rose 10 per cent in the three months to March, from zero in the three months before that. But with European markets set to weaken, few economists pre-dict this trend to continue.

Rachel Johnson

Councils told to compete for inner city financing

By Richard Evans

authorities representing some of England's most depressed inner city areas were yesterday urged by the government to bid competitively for funds to finance regeneration pro-

to iname regeneration projects.

The councils are being asked by Mr Michael Heseltine, environment secretary, to put forward schemes to revamp squalid housing and industrial estates.

The 10 best schemes will be the 10 best schemes will be chosen by the end of the year to share £75m of government money on offer for 1992-98, but over £350m is expected to be made available for projects over the next five years.

The initiative, announced by Mr Heseltine at a London press conference, amounts to a hig shake-up in the way cash is channelled for urban regeneration. No new money is being made available, but the initiative, called City Chal-lenge, will seek to target money at specific projects rather than spread it thinly

over a variety of schemes.

The 15 councils invited to take part are Barnsley, Birmingham, Bradford, Bristol, Liverpool, Mauchester, Middlesbrough, Newcastle upon Tyne, Nottingham, Sal-ford, Sheffield, Tower Hamlets and Lewisham in London, Wir-

ral, and Wolverhampton. Mr Heseltine said: "Wa now intend to enhance the effectiveness of our expenditure in urban areas in England...the new initiative will achieve this and improve the quality of our

Bank governor weathers storm on pay

MR ROBIN Leigh-Pemberton, the governor of the Bank of England, who found himself yesterday et the centre of a furore over his 17 per cent pay rise last year, might be forgiven for feeling a little aggrieved, writes Neil Buckley.

He took a pay cut from £99,585 to £72,545, or 27 per cent, when he moved to the Bank of England in 1983 from his post as chairman of his post as chairman of National Westminster Bank. Had he stayed put, his salary last year would have been 2321,225, more than twice what

he earned as governor - even after his hefty pay rise. His "emoluments, excluding pension contributions" was £155,019 last year - up from £132,558 in 1989.

Mr Leigh-Pemberton was unrepentant yesterday about

the pay rise, which has attracted criticism given that attracted criticism given that the Bank is calling for pay restraint. "I practice what I preach. Look et the figures for the last three years." he said. In the previous two years, his pay rises had been more frugal at 4.3 per cent and 3.9 per cent, well below the growth in average earnings in the UK. However, this was pre-ceded by a 22.9 per cent lean in ceded by a 22.9 per cent leap in 1986-87, far outstripping the rise in average earnings of 7.8

per cent, Mr Leigh-Pemberton's pay rises have exceeded the rise in average earnings in four of the last seven years. He is also one of the higher earners in British public service.

And while his pay is less than Mr Karl Otto Pohl, outgo-ing president of the German

Bundesbank, who is said to earn DM600,000 (£201,850), it is much more than that of Mr Alan Greenspan, chairman of the US Federal Reserve Board who aarns only \$125,100 (£72,300).

In comparison with many UK company chairman and UK company chairman and chief executives, however, the governor is a relative panper. Sir Denys Henderson, chairman of ICL earned £448,000 in 1990 (less than the £514,000 he earned 1989), while the chief executive of Prudential Corporatiou, Mr Mick Newmarch, made £543,678.

Many company chiefs' earnings are also boosted by share dividends. Mr David Sainsbury, deputy chairman of J. Sains-

deputy chairman of J. Sains-bury, had a salary of £220,000 in 1989 but picked up £20.6m in

Labour's City spokesman, yes-terday attacked the size of directors' pay rises, Simon Hol-berton writes. She said that the "directors' bouanza" merely reflected the "insatiable

appetite of corporate greed". Many employees were hav-ing to accept pay cuts to reflect the declining returns to share-holders but it appeared that many directors were exempt from any cuts, she said while publishing a list of 21 companies where the remuneration of directors had outstripped the

growth in earnings. "The chief executive of Royal Insurance – which lost a staggering £187m in 1990 – saw his pay boosted by a com-fortable 20 per cent," Ms Mow-law sold

lam said. Editorial comment, Page 16

Travel association axes top executives to reduce costs

By David Churchill, Leisure Industries Correspondent

THE Association of British Travel Agents (Abta) yesterday axed its director general and other senior management as part of a cost-cutting exercise following the failure of several travel companies earlier this

The decision on the redundancles, which are expected to save at least £500,000 a year was taken by Abta's national

council. Those being made redundant include Mr Devid Epstein, Abta's director general, Mr Paddy Lewis, his deputy, and Mr David Hirst, director of

public affairs. Executive responsibility for Abta's affairs will now be in the hands of the part-time elected officers of the Association, including Mr John Dun-scombe, Abta's president. Cutbacks at Abta's central London headquarters had been expected following its cash crisis earlier this year after the failure of several school tours holiday companies and the col-lapse of Exchange Travel, a

leading travel agency.
The changes at Ahta have also fueled speculation about a change in Abta's role under new legislation due next year. Tha Department of Trade and Industry is due to publish within the next few weeks a consultative paper on how to implement the EC directive on package holiday travel. This calls for a consumer protection

system to be in place by the end of 1992

London carves up areas of North Sea for exploration

By Deborah Hargreaves

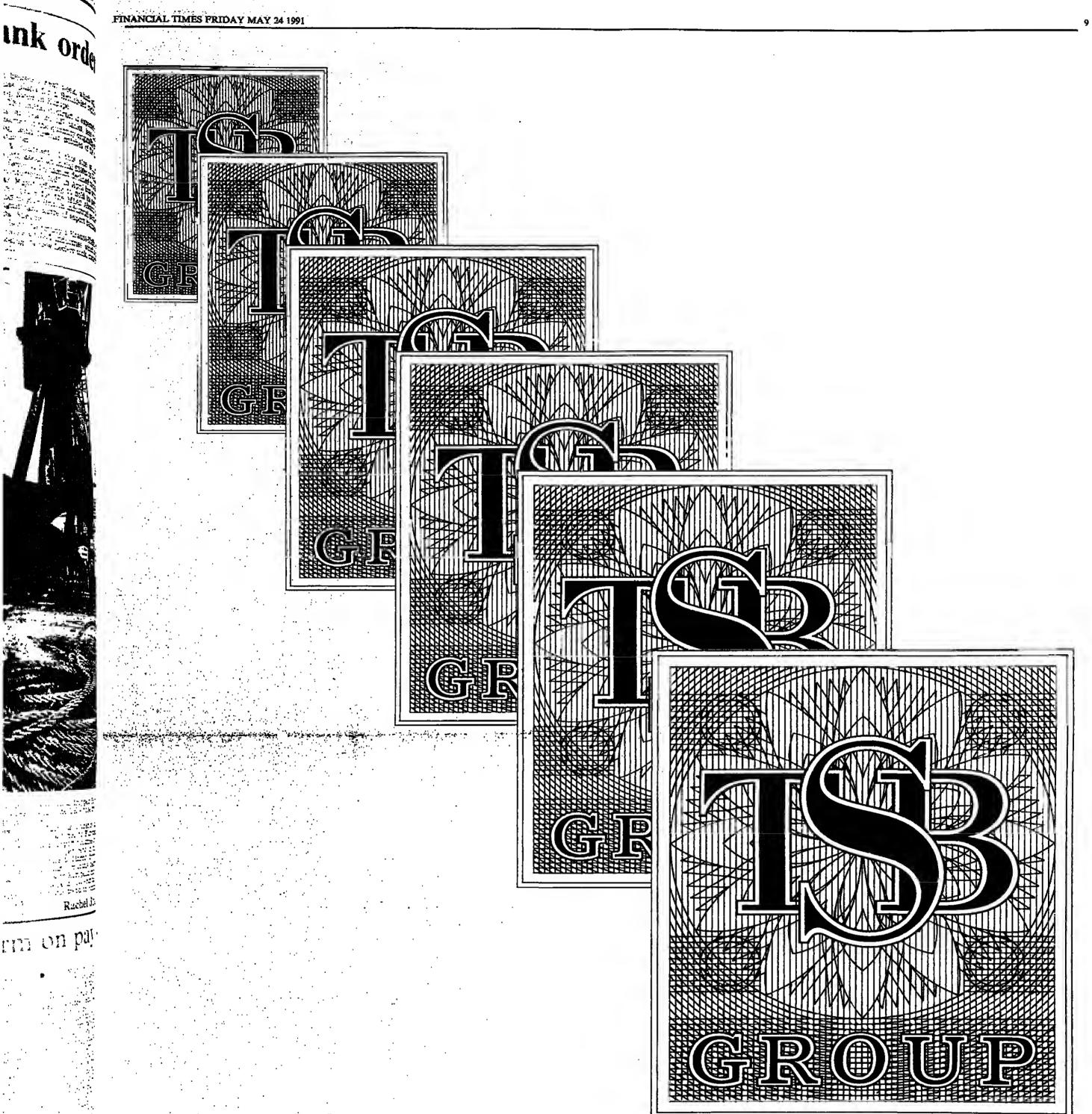
THE government yesterday awarded North Sea exploration acreage that could contain 6bn barrels of oil or 16 trillion cubic feet of gas when it announced the results its 12th offshore licensing round.

Mr John Wakeham, the energy secretary, announced the award of 74 exploration blocks after receiving the large. blocks after receiving the largest number of applications in 16 years. For the first time, the government carved up the deep-water region west of Shetland, where it awarded 6

blocks for exploration. Some 25bn of investment is expected for the North Sea this year and seven projects have already been announced, he said. This compares with 18 projects last year at a total

investment of £3.5bn. Conoco, the oil arm of the DuPont chemical company, received the highest number of awards of 10 licenses covering 13 blocks. Texaco was the only current North Sea operator not to receive any acreage and British Petroleum did not fig-ure prominently in the

awards.
Six tranches of acreage were awarded in the frontier area to groups of leading oil companies. The first wells in this hostile, challenging environment could be sunk after three when counted have years when companies have completed geological surveys. After that, they can hold on to frontier blocks for another 6 years without drilling before relinquishing their right to it.



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UK NEWS

withdraws dismissal notices

By Michael Smith

ROLLS-ROYCE, the aerospace group, withdrew dismissal notices to 34,000 workers yesterday after threats of union legal action and widespread employee anger.

The company denied it had climbed down over the notices, which were sent out two weeks ago, saying they were a legal technicality to implement s six-month pay freeze.

The affair, however, is seen by industrial analysts as a public relations mistake which will do little to help the company in forthcoming negotiations over 6,000 job losses.

The withdrawal of the contract termination letters was part of a deal reached yester-day with unions, including the MSF general technical union which had threetened High Court action for alleged breach of contract.

As part of the deal, the MSF has withdrawn from all legal proceedings. Rolls-Royce agreed to enter early negotia-tions with unions on its pro-posed pay freeze which it said it still wanted to implement.

When Rolls-Royce sent out the dismissal letters it said it had no wish to see workers leave the company as a result. The contrects would he replaced by similar ones, varied to remove entitlements for pay increments rewarding ser-vice, age and skills.

The MSF challenged that a hreach of contract had occurred because of a failure to consult it and other unions

Rolls-Royce believes it has ected legally in sending out the letters. "The letters were s means of instituting a total pay freeze. If we are able to achieve that through negotiation, the letters become unnecessary," e man said.

The company will today meet shop steward representa-tives of hoth blue end white-collar workers

The main issue at today's meeting is likely to be joh losses which could lead to the for 20 years at the company.

Rolls-Royce Concern grows at profits of privatised monopolies

A RECORD 23bn pre-tax profit at BT, the national telecommonications operator, and the prospect of strong profits from water companies yesterday threatened to provoke growing controversy over whether privatised monopolies are being regulated tightly enough.

The 14 per cent increase in

pre-tax profits from BT, formerly British Telecom, was greeted by opposition Labour MPs and consumer groups with calls for further price reductions in areas where BT has a monopoly and more competition.

The row over BT's profits will put added pressure on Sir Bryan Carsberg, the director general of Oftel, the telecommunications industry regulator, to take a tougher line with BT over the prices it will charge for other competing operators to gain access to its

Separately, Mr Ian Byett, director general of the Office of Weter Services, became the lat-est privatised industry watch-dog to flex his muscles when he issued e strongly worded warning to water companies, responsible for distribution and supply, not to deliver high profits end hig returns to shareholders et the expense of

Mr Byatt cautioned the 10 companies in a letter which was put in the post just as Yorkshire Weter kicked off



Byatt: warning on profits what seems certain to be a humper season of water indus-try annual results with a 12.6 per cent increase in pre-tax profits in northern England.

He said companies could expect questions from customers and regulators if their dividends looked excessive.
This year's charge increases

in the water industry were based on last November's retail price index, which allowed increases averaging about 15 per cent, while the slowdown in the economy has reduced

Mr Byatt's intervention

BRITAIN IN



Thorn to close plant in South Wales

Thorn KMI is to close its light-bulb factory in Merthyr Tydfil, South Wales, within the next 12 mouths with the loss of 500 jobs.
In what would amount to

a twin blow to the town, Hoover, its largest manufacturing employer, is expected to lay off more than 300 people today after a vote in favour of strike action on

Merthyr already suffers from a 13.7 per cent unemployment rate compared with 8.5 per cent for Wales as a whole.

The closure of the 44-year-old plant, which at present produces 60m bulbs e year, should be completed by midsummer 1992.

Tories accused over Europe

Mr Paddy Ashdown, Liberal Democrat leader, has accused the Conservative government of avoiding a debate on European integration through fear of bringing Mrs Margaret Thatcher back into the Tory

Speaking in Yeovil, south-west England, Mr Ashdown said the present prime minister'e biggest istake had been to "duck" debate on European monetary union (Emu).

The most important decisions about Britain's future are being taken with almost no public discussion, he said. He believed was the issue that would bring Mrs Thatcher back into mainstream politics. That is why John Major is running scared from any public debate about our future role in Europe.



Staff of Harrods, the Knightshridge department store in London, protest cutside the main entrance yesterday. The lunchtime protest was later halted by shop stewards of Usdaw, the shopworkers' union, who warned the demonstrators that involvement could be them.

make them liable to dismissal.

The action was taken over Harrods' imposition of a pay freeze. Usdaw said it was considering holding a strike ballot after the management had turned down its proposals for pay increases later in the year.

PO says strike largely ignored

A strike call hy leaders of the Union of Communication Workers at selected main post offices and over the next two days was "largely ignored" by the union's members on its first day, according to Post

Office management. The UCW's action was called after pay talks broke down:
union negotiators have
rejected a 7 per cent offer. An
all-out four-day national strike
from Wednesday next week
has been called for all 12,000 UCW members employed at

crown post offices.

The union itself said over
80 per cent of the membership stayed away from work had stayed away from work but some post offices had been kept open by supervisors and a minimum number of counter staff. "In Glasgow, for example, 305 members out of 320 were on strike. We are very pleased," said the UCW. Main post offices in Glasgow in Scotland, Birmingham in the Millande and nexth and the Midlands and north and west London were targeted for yesterday's action.

Co-operation in Labour attacks EC welcomed

A new mood of co-operation in the European Community had replaced the exacerbation nan replaced the exaceroution
of differences between member
countries, according to Mr
Tristan Garel-Jones, the
foreign office minister.
Speaking in a debate on
Franco-British relations Mr

Garel-Jones said EC countries were seeking to accommodate each other and were finding common ground as well as fighting for national interests.

1,000-year-old body found

Experts are examining the remains of a 1,000-year-old human body uncovered on the banks of the River Thames. Archaeologists made their find during a routine excavation on the site of a new office development. The discovery of the well-preserved young person's body near Southwark Bridge in the City of London is thought to be unique.

directors' pay

Ms Marjorie Mowlam, opposition Labour spokesperson on financial affairs, has attacked the size of pay rises which directors have awarded themselves.

She said the "directors' nanza" bore no relation to the benefits received by shareholders but merely reflected the "insatishie appetite of corporate greed."

FT cuts salaries

The Financial Times has cut the salaries of a group of male print workers at its Loudon Docklands plant by 13.9 per cent after being told that it could face an equal pay claim from women workers doing similar jobs for less money. The cut to a salary of £21.100

for 36 assistant press and publishing technicians has been compensated by a payment of £2,850 this month and a future "buy-out" of the higher salary of £6,412.

Prince unveils plans for square

THE Prince of Wales yesterday unveiled the long-ewaited plans for an £800m redevelopment of Peternoster Square. the site immediately to the north of St Paul's Cathedral in the City of London, writes Vanessa Houlder, Property

Correspondent The site has been the subject of flerce controversy after pre-vious modernist plans were dropped as a result of criticism from Prince Charles.

The latest designs are neoclassical in style, and have attempted to restore much of the historic pattern of streets and lanes that existed before

the area's destruction during Second World War bombings by German aircraft.

The designs contrast sharply with the modernist proposals put forward in an international architecture competition organised in 1987. The winning design, hy Arup Associates, was shelved after Prince Charles, in a Mansion House speech, described the competition as "deeply depressing" tion as "deeply depressing" and "demoralising."

The scheme comprises over 80 shops and restaurants and 630,000 sq ft of office space in a traffic-free area around a central square. It restores the

pedestrian access into Paternoster Square to ground level. The development will be car-ried out by Paternoster Square Associates, which is a partner-ship between Greycoat, a UK developer, Park Tower Group of New York and an affiliate of Mitsuhishi Estate Company, a Tokyo-based developer. The partnership bought the site in November 1989 for £160m from

comes only a month after the Office of Gas Supply success-fully completed a long cam-paign to press British Gas to

accept a five-year agreement which will limit price rise to households to less than the

BT's record profits, which

were achieved mainly through cost cutting in the face of fall-ing call volumes, prompted the

Telecoms Users Association to

call for further cuts in tariffs so that customers should bene-

fit from investment to modernise the telecommunications

The TUA called for Oftel to

be particularly vigilant when negotiating later this year over BT's freedom to vary prices within an overall formuls

designed to limit price increase to the retail price index less

6.25 per cent. BT responded to the criti-

cisms by arguing that its quality of service had reached new highs, with only one call in 200

failing due to a fault on the line. It said cheap rate local calls were 50 per cent cheaper than they were in 1981 after inflation was taken into

Meanwhile, the National Communications Union, the main trade union at BT, said it

was seeking an urgent meeting with the company to discuss the loss of almost 19,000 jobs last year, e far higher figure than BT had predicted.

rate of inflation.

petwork.

the Venezuelan Organización Diego Cisneros. Work on the project is expected to begin after the planning stage, which are expected to take nine to 12 months. Background, Page 17

DAI-ICHI KANGYO BANK

(B ECONOMIC REP

Growth of Japanese **Economy Slowing**

In contrast to the increasingly pleasant weather as we move into May, clouds are gathering over the Japanese

Expansion May be Passing its Peak At a press conference in early April, Bank of Japan Governor Yasushi Mieno stated that the Japanese economy "re-mains firm, though the pace of growth has been slowing since last fall." It is fair to say that overall economic activity remains at high levels.

Japan's GNP grew a year-to-year 4.6% in real terms in the October-December period. In addition, industrial production increased a year-to-year 7.2% in February. Accordingly, capacity utilization rates remain at high levels, while inventories of finished goods are at low levels. The ratio of effective job openings to applicants is also high (see figure).

Thus, the current level of economic acitivity poses no problem. However, a look at the trends-that is to say, the pace of expansion—elicits concern. The trends in the capacity utilization rates, inventory levels and the job demandsupply ratio have all changed recently. The coincident indicator of the composite index,* a yardstick for overall economic activity, began losing momentum at the end of last year and turned downward (see figure).

Rising Interest Rates and Prices
The economic slowdown can be attri-

buted to the following factors: First, personal consumption has been ning since last fall. Unusually mild fall and winter curbed sales of clothes and heaters. Higher interest rates and rising prices have also put a damper on ersonal consumption. According to the Management and Coordination Agency's Family Budget Survey, per-household consumption rose on a year-to-year basis for the first time in four months in January, but then by only 0.1%. New 1.9% in March from a year earlier.

Second, housing construction is declining. New housing starts decreased 12.5% in February compared with a year ago, due mainly to narrowing profits on ilding rental housing in reaction to higher interest rates, and because more houses for sale remain unsold. Against this backdrop, it will be difficult for

With regard to personal consumption, increases in workers' bonuses may be somewhat less than in previous years because many companies are believed to have suffered a decline in earnings in the fiscal year just ended in March, However, it can be concluded that the income situation remains favorable in light of the reintively good results produced in the recent labor-management wage negotiations.** But prices will likely remain pegged at high levels until the middle of this fiscal year because (1) labor costs will remain high reflecting the persistent labor shortage, and (2) companies will continue to pass higher costs, including higher interest payments, on to product and service prices. Consumption is therefore expected to ow only moderately in real terms over

the near term. The outlook for housing investment is also bleak. Construction costs, including labor expenses, are expected to continue rising. New housing starts are expected to decline, after having exceeded high construction level of 1.6 million

units for four consecutive years. Moreover, companies are now cutting back on their capital investment plans following the year-to-year real spending increase of 12.5% posted in the October-December quarter last year. Growth in machinery and construction orders, leading barometers for capital investment, is slowing down. According to various capital investment surveys,

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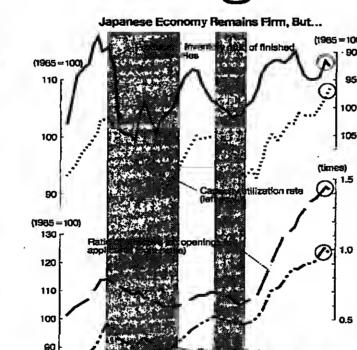
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housing construction to maintain the high levels of recent years.

Third, corporate earnings are beginring to decline after two years of tight

Adjustments in Domestic Economy Will Continue
The Japanese economy has begun

owing signs of adjustme



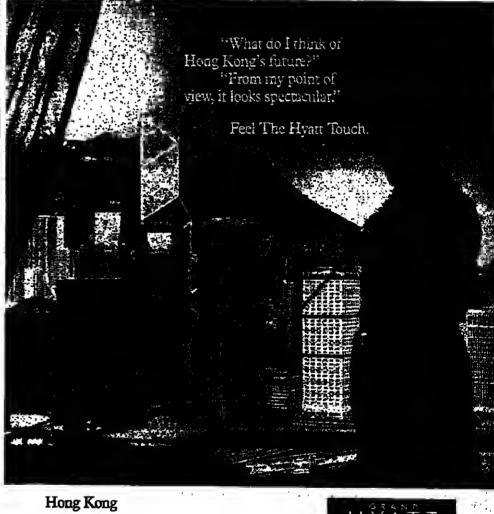
1. Shaded areas indicate periods of recession The producers' inventory ratio of finished goods to sales and the capacity utilization rate are seasonally adjusted and indexed. Economic Planning Agency Ministry of International Trade and Industry

companies foresee moderate spending increases of 1 to 5% for fiscal 1991 in nominal terms. Growth in plant and equipment investment should slow

In view of these factors, the Japanese economy is expected to move one step further into its correction phase.

The coincident indicator of the composite index is an indexed combination of industri-al production, department store sales and other economic indicators that are considered to reflect current economic activity. *Labor-management wage negotiations for all industries appear to have resulted in an average wage increase of around 5.5% this year, compared to 5.94% in 1990.

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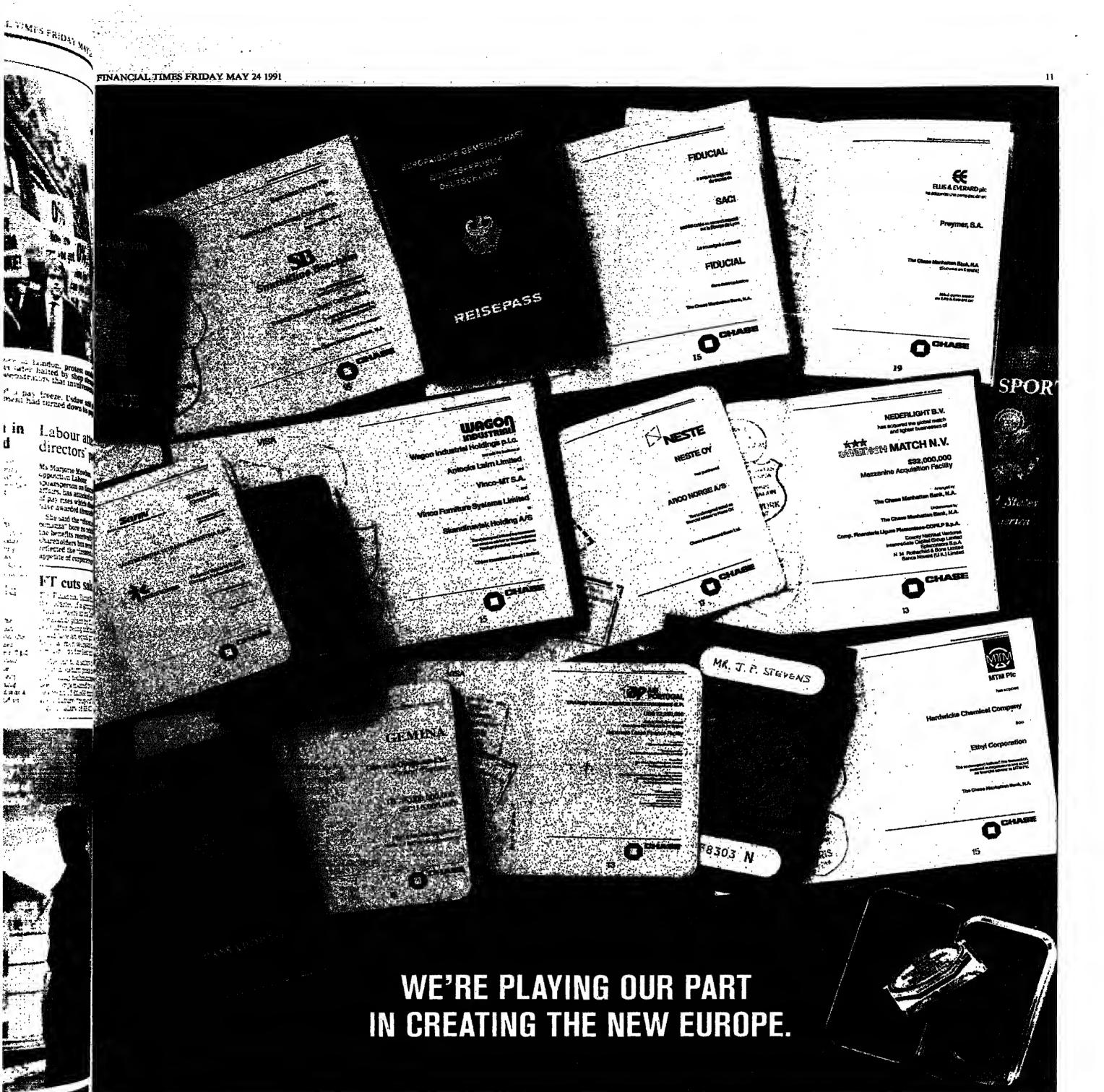
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Lloyds takes the bit between its teeth

The bank is hoping to regain its throughbred image by cutting staff and selling assets. David Barchard reports

s Lloyds, the black horse bank, still the thorough-bred of the British banking industry?

A year ago such a question would have been unthinkable. For several years, Lloyds' message to the market has been that although it is the smallest of the Big Four clearing banks in terms of assets, it is also the bank most clearly focused on the two goals of profitability and shareholder value. But in Fabruary, Lloyds

quality image was severely dented by a poor set of 1990 results — though they ettracted limited attention in the welter of even worse fig-ures from some competitors.

Just over half of pre-tax profits of £591m came from a single its of Eddin came from a single subsidiary, Lloyds Abbey Life, the insurance group which it bought in 1988. By contrast, profits from UK retail banking, the area on which Lloyds has concentrated most of its attention, shimped from £591m to £168m, after a massive charge of £487m for bad debts.

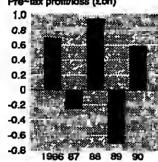
Almost equally embarrass-ingly, despite several years of ingly, despite several years or aggressive cost cutting, Lloyds' cost-income ratio for the group, excluding Lloyds Abbey Life, was estimated by analysts to have risen from 64.5 per cent to 69.5 per cent, the third worst showing in the sector.

Yet for several years, Lloyds has been pursuing clearly defined policies designed to pilot it through what it expects will be crisis years for the banking sector in the 1990s.

"We could see that things were going to get tougher in the sector," says Brian Pitman; the sector, says Brail Fitthan, chief executive. "We believe that the strong will get stronger, and that the weakest will go to the wall. If banks don't face up to realities, their survival must be in donbt. Banks have got to generate enough profit both to service their dividend and for growth."

Pitman's early years as chief executive at Lloyds — he took the helm in 1963 — came in a period when the bank had been battered by Third World debts. By making aggressive provi-sions for several years, Lloyds has whittled eway e much





heavier debt burden than any other UK bank except Midland. But even after setting aside £3bn, Lloyds still has just under £1bn of unprovided

Third World debt.
In 1986 Lloyds failed to take over Standard Chartered Bank. Since then Lloyds has been resigned to trying to be a emailer but nimbler entity than its competitors, concen-trating on core retail banking activities in the UK.

activities in the UK.

True to his lights, Pitman has steadily sold off those ectivities which he regards as destroyers of value. "We sold business at a high premium, getting prices which would be difficult to repeat," he says.

The goal is to raise return on equity by moving away from

equity by moving away from capital-intensive business, though Pitman says Lloyds is still interested in corporate ss when it can make a good return. In pursuit of this strategy, the group has withdrawn from markets such as North America, Portugal, Bahrain, and latterly some of its smaller operations in the Far

Rast in China, Hong Kong and

Singapore.

When Lloyds pulled out of the Eurobond and gilt-edged

"We are not going to see the income growth in the 1990s that we saw in the 1980s. So the important thing is getting the cost line down," says Colin Wilks, chief financial officer.

Throughont the 1980s, Lloyds proved to be the innoloyds proved to be the innovator par excellence in the UK retail banking market, aggressively forcing tha pace of change. Borrowing the idea from the US, it went into the estate agency business several years ahead of the insurance companies. Black Horse, its estate agency chain, now part of the Lloyda Abbey Life group, cut its teeth earlier than its competitors and suffered less hadly in the housing recession as e result. Last year, Black Horse reported a £12.7m profit; it cut 77 outlets after a

loss of £5.3m in 1989. In the credit card market Lloyds forced the break-up of the Access cartel by de-camp-ing to Visa, the rival payment system, and then forcing the large banks to compete to offer credit card services to retailers directly. In 1989 it was first to introduce an interest-bearing The boldest stroke of all was

base with Abbey's experienced direct salesforce, while in the longer term developing Lloyds'

Black Horse life subsidiary.
In some quarters Hepher is now tipped as a possible successor to Pitman. But the question remains: without the Lloyds Abbey Life contribution how strong is Lloyds core

Lloyds Abbey Life contribu-tion, how strong is Lloyds' core banking performance? Colin Wilks, Lloyds' chief financial officer, says that ana-lysts' attempts to strip ont Lloyds Abbey Life are mis-guided because the integration of the bank and the insurance group is irrevocable. There is no case for excluding the life assurance numbers from our cost/income ratio. The underlying trend is going in the direc-tion we want it."

Whatever one makes of this

elightly disingennons reply, the fact remains that Lloyds' banking operations have taken some severe hits in the recession – the worst of which was the collapse of the International Leisure Group to which Lloyds had lent £80m.

At Lloyds' annual general meeting this year. Sir Jeremy Morse, the chairman, told shareholders that it was the worst loss in real terms that the company had sustained since 1927. Wilks points out ing on ILG done in 1990," he

Lloyds' domestic bad debt provisions of £732m in 1990, up from £198m the previous year, are seen as a sign of strength by Wilks rather than e symp-

have gone over the top a bit this year with provisions." Others suspect that Lloyds may have been too aggressive in lending to email and medium sized companies in the

past two years.

The bank itself believes that it is a jump ahead of its com-petitors. "Once we get over the hump an improved interest margin is in place. We came into the cycle earlier than the others in 1999 with high provisions. It may be that we will get out of it earlier too," Wilks

Resuming strong profite growth will be essential if Lloyds is to keep its pleage to shareholders of a sustained return on their investment with a strong dividend and a buoyant share price.

Pitman would like to see Lloyds earning a post-tax return of 18 per cent on share-holders' equity. That is going to be difficult to achieve in the immediate future. In 1990 the actual figure was 12.6 per cent and Sir Jeremy has warned that 1991 is unlikely to be much better. In these circumstances, how much longer will Lloyds - whose net assets have fallen by just under e

over 96 per cent - be able to sustain a dividend increase? "A large part of Lloyds' future dividend paying ability is dependent on Lloyds' banking operations, and the money is not there to the extent that people think it is," says Alison

Deuchars, an analyst with Smith New Court. She adds: "But on belance we think that Lloyds will find a way to pay a substantial dividend in terms Lloyds' dividend cover - the will go into attributable earnings — has fallen from four times four years ago, to 1.5 times. In 1990 the dividend

went up by 15 per cent, but it was largely paid for out of sales of subsidiaries. "The disposals helped us out last year, there is no question about that. But we were sensi-hle enough to sell things that were generating a profit. In the

main we are generating the cash we want." Wilts says.

He remains optimistic that the bank is pulling ahead. "If you look at the level of profits that NetWest and Parallem that NatWest and Barclays made in relation to the assets on their book, we were nearly twice as profitable as NatWest and well ahead of Barclays,"

he says.
On this reckoning, Pitman's strategy of emphasising retail banking is yielding the hoped-for results and the black horse is still galloping ahead of the herd. But the next few years will show how long its standing can be sustained and no busi-ness, not even a bank, can continue selling assets to pay divi-dends indefinitely. Previous articles in this series

were published on April 19, 29

Thumbs down for plill the quick deal

Simon Holberton on long-termism

anson's stalking of ICI has given the debate about "short-termism" in Britain an edge it lacked throughout most of last year. It was fortnitons, therefore, that in the last of this year's Lon-don Business School Stockton lectures. Peter Grassmann. group chief executive of Sie-mens Medical Systems, last night addressed the apposite issue of "time and corporate ownership" in Germany. UK industrialists have

tended to cast an envious eye in the direction of Germany (and Japan) where the nature of the relationship between owners and management is seen to favour long-term indus-trial development. They will find much to support their

view in Grassmann's lecture.
German industry, he said, is
geared towards long-term relationships and these matter
more than "the quick deal and hort-term gains

The business environment is also conducive to hiding profits in company accounts, invest-ing, and realising that the pay-back on investment can take Grassmann attributes this

attitude partly to cultural influences – ranging from the respect with which the Germans view engineering and technology, to the need to rebuild the Federal Republic after the Second World War and the structure of the German capital market, particu-larly the role of the banks. Although the banks own just

eight per cent of German com-panies directly, the decision of private investors (who own 20 per cent of company shares in

division of control represented by the separation of supervision from management control Yet, German industry has not been impervious to develcoments in Angio-Saxon capital markets or management orthodoxy.
Foreign ownership US and UK investment institu-

Germany) to allow the banks to vote their stock gives "the banks quite some voting power [and] also provides desired sta-hility for long term invest-ment". This is bolstered by the

tions — of German equities now stands at 20 per cent and, in some cases like Siemens, 35 per cent; companies like Siemens have embraced "shareholder value" as a corporate Slemens reorganised lts

management in 1989. Before that, the company's chairman, its chief executive and all of its seven group presidents had a technical background. Now the chairman and almost half of the 15 group presidents have a non-technical and mostly financial background.

After 20 years of holding its dividend at DMS a share it has begun to declare dividends that bear some relation to the

growth in profits. The com-pany's objective now is one of generating "steady, high earn-ings". "A sustained earning power is the most obvious power is the most obvious expression of the corporation's level performance and its ruccessful management," he said.

Clearly the world for German companies is changing is Siemens becoming more

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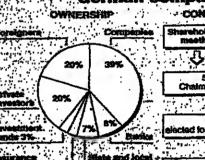
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ehort-term? Grassmann said not: "reasonable long-termism" survives. But it is qualified.





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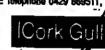
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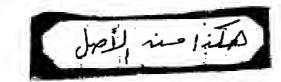
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THE PROPERTY MARKET

ick deal Optimism at Canary Wharf

he morning mist that occa-sionally shrouds the 800ft tower at Canary Wharf is an

apt symbol of the confusion about the future of the 24th project. Rumours constantly circulate concerning the development's finances, the terms of its leases, tha deals being negotiated and the time it will take to build and let each phase of its 10m sq ft.

These rumours came to a head

this week when it was suggested in the press that the slump in the Lon-don properly market had forced Olympia & York to halt work on the

next phases of the project.

The unprecedented amount of surplus office space in Central London and falling rents (which are as low as £10 per sq ft on the Isle of Dogs and £45 in the City for top quality space) gave some plausibility to the story. Even if Canary What is charging an entire to Wharf is charging an equivalent of £20 a square foot after concessions, as rumour has it, its competitive advantage against the City has been eroded. Moreover, many would-be tenants are finding it difficult to dispose of their old leases — and O&Y is only prepared to take on

The developer emphatically denies the story. Phase 3 is likely to start construction next summer, says Mr Michael Dennis, who is in charge of O&Y's London operation. (As some £50m has already been spent on excavation and laying foundations of phase 3 and phase 4,

foundations of phase 3 and phase 4, the timing is not dictated by the expiry of the Enterprise Zone status of the Isle of Dogs.)

However, he does not rule out a slippage of a few months. "The intention is to get ahead in that period, but we will see how we go on the marketing. You don't make a decision before you have to."

So far, the only letting deal that has come to light concerns Still

has come to light concerns Still Price Lintas, an advertising agency which signed up in mid-April.

Mr Dennis is not downbearted. He still reckons that Canary Wharf He still reckons that Canary Wharf should let another 600,000 to 700,000 so ft by the end of the year. Negotiations are taking place with companies involved in advertising, marketing, law, publishing, oil and gas and insurance. O&Y is also trying to persuade the Department of the Environment to move to Canary

RENTAL GROWTH (%) Year to March '91 Quarter to March '91 Month of March '91 0.1 -0.1 Source: Investment Property Databank Olympia & York's intention to

press ahead is a disappointment to other London landlords, whose own fortunes would be helped enormously by a reduction in the space coming on to the market. Instead, they have to fall back on the argument that Canary Wharf is unsuitable for tenants because it is out of market of control I order. reach of central London.

This characterisation bears no

resemblance to O&Y's own perception of Canary Wharf, which it sees as modern rival for office headquarters to the West End and the City.

Nonethaless, O&Y has to persuade tenants about its accessibility to the centre. Public trensport

to the centre. Public transport, which has been its Achilles heel, is being improved by more investment in the riverbus and the Docklands Light Railway, including its exten-sion to Bank.

O&Y also has to overcome peo-ples' attachment to traditional locations. The tendency of similar busi-nesses to cluster along with their customers and suppliers has created invisible ties linking industries to particular parts of London.

These ties may have been eroded during the 1980s, when technolog-ical charge and the restrictions in the central London property market caused companies to go beyond tra-ditional boundaries in their search for large, modern buildings. "Lon-don's market in breaking don's property market is breaking from its past," said Salomons, the US investment house, in a study

of location, location, location has now become product, product, product, roduct, it says.

This argument is supported by the way financial services compa-nies spilled out of the City into places as far afield as Victoria and Hackney.

The banks' traditional argumen

that "proximity to the Bank of England is of paramount impor-tance" (the City Corporation, November 1984) was overturned in 1985, when the Governor of the Bank of England said in his Mansion House speech: "perhaps the shift...from personal to electronic communication has altered the bal-

communication has altered the balance of the argument."

If the advent of electronic communication means that companies
are prepared to sacrifice face-to-face
contact, it amounts to a complete
reversal of the rules about the evolution of London. Traditionally,
London has pushed out its boundaries gradually. "No one makes
giant steps for mankind in property," says Stuart Lipton, the
founder of Stanhope Properties.

The remoteness of Canary Wharf
– separated from the City by large
tracts of bautalist housing estates —

- separated from the City by large tracts of brutalist housing estates -may perhaps have parallels with Continental centres like La Défense in Paris, but it contrasts sharply with previous (and highly success-ful) attempts to expand London and New York. O&Y's World Financial Centre in New York is three min-utes walk from Wall Street and Stanhope's Broadgate is walking



Bird's eye view of the project: 'Why does it need to be quite so high?' wondered the Prince of Welet

distance from the Bank of England. The fact that nearly all Canary Wharf's tenants are North Ameriwhart's tenants are North American has prompted speculation that UK companies are particularly conservative about their choice of location. Implicit in this argument is a suspicion that Dockland developers such as O&Y have suffered because they are not part of the UK property establishment. Mr Robert Tassell, managing director of the Swedish-

owned NCC which is huilding a

husiness park in the Docklands, beliaves that its task would be easier if it were British.

"Had it been MEPC [the developers and investors] doing Canary Wharf, then the perception would have been quite different. People would not have questioned their judgment," he says.

From the outset, Canary Wharf's architecture (by Cesar Pelli and SKM) has had detractors ("an awful great Stalinist block", said Ken

great Stalinist block", said Ken

Livingstone. "Why does it need to be quite so high?" queried the Prince of Wales).
As the huildings materialise, they

are winning more fans. The details, the quality of the materials, the careful layout and the imaginative landscaping are impressive. On a sunny day, a visitor making the 10-minute trip by the Docklands Light Railway may find the glittering expanse of Canary What a stundard climar to the journey. ning climax to the journey.

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Fortunately for the taxpayer,
the Foreign Office got more
than half of the £3m paid to the contractor back. But all the department got for its money was a two-year maintenance contract. documentation and some small pieces of software – not the powerful Folios (Foreign Office London Integrated Office System) software which was intended to distributa information around the whole

department.
Such a situation is all too common, both in government and the commercial sector. Numerous computer projects run over bndget, over time-scale and, once installed, fail to perform the task for which they were intended. The problems of government

departments are the ones most widely publicised, because they are obliged to come clean on their computer blunders. Not surprisingly, commercial organisations almost invari-ably try to cover up embarrassments of this type, making the scale of the problems difficult to assess accurately.

Bnt according to a survey carried out by KPMG Peat Marwick 62 per cent of UK companies have experienced a "runaway" computer system - the phrase coined by KPMG for computer projects that get out of control. The larger the project the greater the chance of it turning into a "runaway". according to the report pro-jects with a development bud-get of less than £50,000 had a 55 per cent chance of running out of control, while those with a budget of more than £500,000 faced a 70 per cent chance.

Anecdotal evidence from lawyers and consultants working in the field backs up sucb "We have been involved in a number of situations over the years where people have clearly not been getting value out of their IT investments," says Trevor Cook, of the computer and electronics group of Bird & Bird, the Loudon solicitors. "Naturally they will have kept this quiet from the outside world. Some of them may have even kept it quiet from senior

The loss is more than just monetary. If the system is

Della Bradshaw explains how to stop a computer development project from running out of control



In pursuit of an untamed beast

planned to give the company a clear strategic advantage over its competitors its failure can result in the company losing market share. At the same time buge amounts of money are still being thrown into the data processing department or software house to try to rectify the situation.

Steve Larner, a consultant who specialises in computer disputes, believes it is the pressure put on potential customers by computer salespeople -many of whom over-exaggerate the attribotes of their systems and underestimate the inherent difficulties in implementa-tion – which leads to inadequate systems.

Others, such as Martin Langham, manager of systams management at the Butler Cox consultancy, take a more charitable view. "As a basic princi-ple it is impossible to accurately define at the beginning how long a project will take," says Langham. "Peopla tend to underestimate hecause they leave things out."

Whatever the reasons, the problems are rarely technical. says Morag Macdonald of Bird & Bird. "Users jnst dou't understand that there are three elements to computer systems - hardware, software and human beings; it's the human beings who are wrong most of the time."

"The most common thing to go wrong is that the person

bnying the system does not properly understand the requirements and bow the system is to be used," says Larner. "That is the situation for 90 per cent of computer disputes."

Larner believes many company directors, aspecially in

small or growing businesses, are addicted to "magic box buying", as be calls it. "They want a box that makes their company work," ha says, and after that just bury their heads in the sand.

The most common thing to go wrong is that the person bnying the system does not properly understand the requirements

As well as top management participation there should also be strong involvement from users in the definition and development, says Gordou Monsinho, the partner in charge of runaway systems management practice at consultants KPMG Peat Marwick McLintock. "It should be user ownership with IT involvement. The IT department bould be seen as a sympler." should be seen as a snpplier,' he says.

One way of preventing com-

panies from getting into the situation in the first place is to draw up a legal contract as a cold bath for the MD!

Such a contract should build in cut-off dates by which certain parts of the project should be completed, says Cook. It should also outline the biggest risks, and identify who is responsible if things go wrong. And it should specify tha per-formance of the system when complete, and the response

between the company and its supplier. "It belps them cut away some of the over-optimis-tic thinking," Larner says, and makes them focus their minds

on what they really want out of a system. "It can be as good

times for certain programs.

The contract should be seen as a working document, says Cook, which can be referred to throughout the lifetime of the project. In the worst event it can enable the customer to sue if things go wrong. Several management tech-

niques could also be implemented in order to prevent such a dilemma occuring: Break the project down into several small pieces of work, which can be implemented in stages and closely managed. says Langham. Each stage should last six to nine months · Carry ont risk analysis before the project starts in order to analyse the risks to Use computer prototyping

before the project begins and project management software from the outset. Follow a strict

methodology.

Do not be too optimistic about the use of Case (computer-aided software engineering) even though they can save

For those companies that are already involved in a project it can be difficult to spot the first signs of trouble. The larger the company, the more vulnerable it can be as it takes longer for the problem to percolate up through successive management layers, enabling the project to develop a life of its own

One telling sign, says Lan-gham, is when the project lead-ers claim the system will go live imminantly — what he calls the "real soon now" or "99 per cent there" syndrome. He argues that the easiest way to spot a problem is by calcu-lating bow much manpower has been expended on the work over the original estimate, rather than simply looking at how late the project is.
Other indicators could be a

growing number of complaints from users, staff morale at a low ebb and the postponement of other projects to concentrate staff in the problem area.

For smaller companies, says Larner, the time when the first test results of the system are produced is often the moment when managing directors realise they can no longer keep there heads buried in the sand. "If they've got it wrong there's a magic moment when they say "This isn't what we're get-

ting, is it?"
For those already well down the track of a problem system the options are stark: keep throwing good money after had; alvage what can be rescued from the project; or terminate the project completely.

Not surprisingly, many con-

sultants believa that they should be called in to help make an objective decision. But as Langham point out: "I've never seen a project man-ager suggest his or her project should be killed!" They might suggest starting

the project from scratch employing management con-trol and the latest techniques, such as Case, which could help to cut back the software delivery times. In certain cases Langham even advocates setting np a dedicated team with the latest software tools to over-take the languishing project.

For many, such as the UK Foreign Office, calling a halt, although drastic, may prove the least expensive solution.



WORTH WATCHING by Della Bradshaw

Zooming in on the perfect pic

ONE headache for the holiday photographer is trying to take a snap of a moving target while keeping it in tocus.

Minoits, the Japanese camera company, believes it has overcome the problem with a compact camera which incorporates a zoom tens with

automatic focus.

The lens starts to focus on the object in the frame as soon as the user looks through the viewfinder. If a person in the frame is moving towards the camera then the lens automatically adjusts to ensure that he or she

remains in focus. The autofocus works by using an infra-red sensor located just below the eye-place. Once activated, the ensor measures the dista between the camera and the subject and sets the focal

length accordingly.

Voted the compact camera of the year in the UK by "Amateur Photography" mag-azine, the Riva Zoom 105i costs £199.

The final word on fraudsters

THE drawbacks with most blometric security devices — such as fingerprints or retina scanners - are that they are unpleasant to use and the prints can be copied, enabling the would-be fraudater to

crack the system. But Zetetic, of Nottingham, believes it has overcome these problems with a voice recognition system which is pleasant and simple to use. To set up the 212000 voice

recognition system, each user records a list of 25 words. the pronunciation of which nalysed using five different voice perameters. When entering the building the user omers a personal identifica-tion number and then repeats the words which appear on the liquid crystal display in a random order. These are checked against the original voice print. There are 375,000 combinations of the ons of the words, making a recording of the correct combination aimes

is also available to prevent unauthorised access to computer networks.

The link between food and disease

CERTAIN foods are good for you, but which ones can pre-vent illnesses?

A five-year research pro-

gramme has just started in the US to leolate foods which can prevent cancer. The pro-gramme, undertaken by Arthur D Little, of Cambridge Massachusetts, and funded by the National Cancer Insti-tute's diet and cancer branch will be the first to look at the

relationship between food and cancer prevention. The initial aim of the researchers will be to demon strate that phytochemicals, which occur naturally in som foods, can inhibit the growth of cancer. The second stage will be to calculate which foods, in what amounts and which combinations, can be the most effective. Pre-clinics and clinical trials in animals and humans will then be con-

The final stage will be to develop paistable dishes combining the effective foods such possibilities include
 combination of liquorics and garlic.

Hungary aims for a slice of CD pie

COMPACT disc technology is being used increasingly in education and training, but for many smaller companie and educational establishments producing their own discs can be expensive.

A Hungarian organisation, through its newly formed stapany, hopes to target this market by publishing CDs for oversees companies and uni-versities. Tudory, of Budapest, believes it can carry out the service for 60 - 70 per cent of the price of comp in the UK or France. Tudorg, which is repre-

nted in the UK by Fosseway Trading, of Gloucestershire, compiles the information and

FT LAW REPORTS

Metherlands to Philips in the Metherlands to produce the master disc. The Hungarian company then prints the discs in Budapest

Tioxide takes to the sun -

A COMPANY specialising in the production of white pig-ments for the plastic industries has tallored the same chemicals to act as a sunscreen for use in co

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Tioxide Chemicals, boocht by ICI last December, has oy rur less December; bas developed a version of this nium dioxide which, it says, can block out both UVA and UVB light — which between them can cause burning and skin dioxece.

skin disease. Titanium dioxide is widely Titanium diction is whosely used to produce the white colour in plastic baths and has often been seen daubed on the faces of cricketers and other sportsmen in hot elimates where the pigment is used to prevent susburn.

To produce the sunscreen Tiovell, Tioxide has ground down the material in ultra-fine powder so that it does not reflect visible light, and so is invisible on the skin. The company believe it will find a ready market in moisturisers, lipsticks and other cosmetics — some of the factest growing areas of the sunscreen business.

Miniature lettuce on the menu

THE single gourmet could soon be in for a freat. Scientiets in California have developed a mini-lettuce which is just enough for one portion. The size of a tennis ball, the perfectly formed ministr

icebergs were developed at the US Department of Agricul-ture's research station at Sali-nas. Scientists there altered a lettuce gene critical to a natural growth hormone called gebberellin to come up with the edible morsels.

The Salines scientists will: he providing samples to seed companies this winter, which stould mean the mini-lettuces will be in the supermarket by spring 1993. The teste and texture, they say, is as good as the full sized equivalent.

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BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION V TAYLOR Queen's Bench Division: Mr

Justice Waller: May 10 1991

THE COURT has power to appoint representative under-writers to defend an action which originated against one underwriter only in respect of his proportion of risk under a policy which has no leading underwriter clause binding all underwriters to settled claims, if the other underwriters have the same interest in the proceedings in that they all sub-scribed to and have a common defence under physically sepa-rate policies on the same terms and bearing the same number. And the court will exercise that power in the absence of agreement by the underwriters to be bound for their proportion of the costs of the proceedings, if there is a serious risk that the original defendant might become liable for 100 per cent of the costs.

Mr Justice Waller so beld when granting an application by the plaintiff, the Bank of America National Trust and Savings Association (Bantsa), for orders appointing represen-tative underwriters to defend its insurance claim in addition to the original defendant, Mr John Joseph Taylor.

HIS LORDSHIP said that the owners of the vessel Kyriaki took out bull and machinery insurance from December 31 1984 to September 25 1985. Bantsa alleged it was the assignee of all the policies. The policies had the same

policies were issued.

A Lloyd's marine policy insured 48.76 per cent of 88 per cent. An Institute of London Underwriters Companies' Marine Policy insured 48.53 per cent of 88 per cent. Policies issued hy individual companies insured 1.13 per cent, 0.68 per cent and 0.45 per cent of the 88 per cent.

policy number, but different

policies were issued.

Those policles were pro-duced in the bundle of documents and the snhscribers were identifie In relation to the remaining 12 per cent, Bantsa asserted issuance of certain policies by individual companies including Abu Dbabl National Ins Co (Adnic) for 2 per cent, and Arabian Seas Co Ltd for 3 per cent.

Of those policies the only one produced was a policy sub-scribed to by Admic and Ara-bian Seas. The other policies were missing.

It appeared there might be

an issue on assignment in rela-tion to the policy subscribed to by certain of the missing policy underwriters and Adnic and Arabian Seas.

The policies all provided cover for loss and damage to hull and machinery, except where there had been lack of dne diligence by the owners or The main issue in the action would be whether damage to

the main conrod and bottom end bearings was caused by want of due diligence. The incident occurred in July 1985. The underwriters refused to pay and litigation became inevitable.

Solicitors for the underwrit-ers named Mr John Joseph Taylor as representative under-writer for the purpose of proceedings. His proportion on the policy was 0.0006901 per cent. The original action was not a representative action. It was simply a claim in relation to Mr Taylor's proportion, and was issued in the expectation that an action against one underwriter would bind the

others pursuant to an agree-ment to be bound. There was negotiation as to terms of an agreement to be bound. Solicitors for Bantsa required a term that if Mr Taylor should become liable for costs, they should be recover-able from him in full, and reimbursed by underwriters according to thair respective proportions. Solicitors for the underwriters argued that each underwriter should be liable

underwriter should be liable for his own proportion of the costs and not be bound on behalf of Arabian Seas or the missing policy underwriters. Solicitors for the underwrit-ers asserted that if an agree-ment to be bound was not signed in their terms, the only afternative was to join seek. alternative was to join each and every underwriter as defendants. Bantsa negotiated on the basis that if its terms were not accepted it would be entitled to come to court and pursue an action with one or more representative underwrit-

On May 12 1990 the plaintiffs took out a summons under Order 15 rule 12 of the Rules of the Supreme Court. Order 15 rule 12(1) provided that "where numerous persons

proceedings", the proceedings might be begun by or against any one of them as representing all or some of them. Rule 12(2) provided that at any stage of proceedings the court might, if it thought fit, appoint one or more of the defendants or other persons to represent all

or some of them. The action was not started as a representativa action within rule 12(1). The court was thus concerned with an application under rule 12(2).

There were two questions. First, on the proper construc-tion of the rule, did the court have power to appoint one defendant to represent others in the circumstances of the

Second, if it had power, should the court in the exer-cise of its discretion, appoint one defendant or more than one to represent other persons? Mr Tomlinson for the under-writers submitted that there was simply no power in the court to make a representative order at all. He submitted that the only way in which a sensi-ble result could be achieved was by an agreement to be

Mr Schaff for Bantsa said there must be power under rule 12(2) to allow an under-writer to be appointed as repre-He submitted that Irish

He submitted that Irish Rowan [1990] 2 WLR 117, in which the Court of Appeal rejected a submission that a case could never be within rule 12(2) where damages or debt were claimed against all defendants severally, demonstrated that earlier decisions placing a narrow construction on "the same interest in any proceedings" were not to be followed. That submission must be right.

right.
In Irish Rowan the leading underwriter clause provided that "all settlements of claims or contestations whatso-ever...taken by the leading underwriter, will be binding on all underwriters..."

It was clear from the judg-ments of Sir John Megaw and Lord Justice Purchas that they were not treating the leading

were not treating the leading underwriter clause as simply relevant to the question whether the court should, in its discretion, order a representative action, as opposed to whether it had power to do so. The question in relation to power was whether, without a leading underwriter clause of

was "the same interest in any proceedings".

Purchas placed great reliance on the leading underwriter clause. Lord Justice Staughton did not. Sir John Megaw recognised how inconvenient it would be to have to sue the separate underwriters. He said tracts of insurance...the result ... would seem to be potentially anarchic from the practical business point of

A representative action was an action in which those represented were not named as par-ties. Order 15 rule 12(2) entitled. rson to represent persons who were not named as parties. In such a situation it would be strange if the test were not the same, ie that the defendant and those repre-sented should have "the same interest in any proceedings" as

under Order 15 rule 12(1).

The court had power to make an order under the rules. It would exercise its discretion in favour of a representative

It exercised that discretion on the basis that there was a serious risk that the representative underwriter might become liable for 100 per cent of the costs. It might thus he undar to make Mr Taylor the

sole representative.

The court had power to make one underwriter repre-sent all underwriters even where, as here, there were dis-tinct physical policies, because each of the underwriters did have the same interest in the proceedings. They furthermore

in the light of the cost considerations it was more satisfactory if the missing policy point or assignment point were dealt with by each defendant against whom the point was taken — that required joinder of the missing policy underwriters; if Arabian Seas were joined as a separate defendant; if one underwriter from Lloyd's Marine policy represented all underwriters on that policy, and one underwriter from the Companies' policy represented all underwriters on that policy. For the plaintiffs: Alistair Schaff (Hill Toylor Dickinson). For the underwriters: Stephen Tomlinson QC and Stephen

Tomlinson QC and Stephen Kenny (Ince & Co).

Rachel Davies



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THE SITTED STATES OF THE STATE Special interference ALDWYCH THEATRE

Sexual, glamorous and fateful, the tango comes to us in this great show with a intoxicating drive. First, there's just the music. A beat; e half-phrase; an outrageous pause; e flourish a growth form a courageous pause; e flourish a growth form taking a corner on two wheels. Then the full nonstop red-blooded throb of the tango in all its passion, borne

tango in all its passion, borne on the brisk pulse of destiny. on the brisk pulse of desiny.

With these musicians playing, that's thrill enough.

France Strong, be dance; and it can also be a song. Tango Argentino celebrates all that. Costumed with supreme stylishness, lit with the Wing fleir. Tango Argentino should mean the road thrilling does honour to the reprising its history, retrieving it from ballroom competition and reviving its native core.

We're shown tango as it once was, danced by men waiting in was, danced hy men waiting in a continues. was, danced by men waiting in the Bnenos Aires brothels, then danced by prostitutes, pimps and clients. Next, we see

the tango refined, popular and international. Finally the tango is shown, simply and overwealthing, as a rich, livresented overwhelmingly, as a rich, living tradition.

The Argentinian tango is far more seriously erotic and less full of sterotyped sexual chan-vinism than the British ballroom tango. Man and woman are closely linked, share steps, allow each other to display, while still in the other's embrace. Active and passive roles are excitingly combined. roles are excitingly combined.

The way the men's fingartips so lightly touch the women's backs into action is endlessly sensual. And those feet! They circle ceremoniously on the floor and in the air; they boomerang, to and fro, to and out, between and round the partbetween and round the part-ner's legs; they skip, stride and virtually perform rapid soi-xante-neuf natterns.

is witty.

And it is weighted. Man and woman remain held to each other and to the music. Suddenly the accordion peals out like e thunderclap, the strings sing away; the dance paces on. One whole dance will proceed with man and woman nose to nose. Another begins brow to brow. A third couple are

always turned eway from each other, as if yoked helplessly together. In one step, recurring in many ways, the woman turns rapidly this way and that in the man's arms, as if wriggling in sheer ecstasy, or strug-gling to find an escape. Often indistinguishable from e habanera, the tango is what Car-men and José will go on dancing in heaven.

I could not speak this way of the tango were it not for these marvellous dancers, 17 in all. spanning e wide variety of ages. The singers and the choice of songs are the show's one weak point; but they are always given subline accompaniment. (The fact that the two leading accordionists look like Les Dawson and Jeremy Isaacs is one of the show's more surprising features.) The words are almost all about God, love, betrayal, destiny and death. So, more tellingly, are the dances. Every congratulation to

Orezzoli, who first concerved this show and presented it in Paris (1983) and New York (1985), and who have designed, directed and choreographed it. This is the kind of vivid, meticulous, serious staging that wa associate with Diaghilev. Tango Argentino has since tri-umphed in several other cities: and Segovia and Orezzoli have gone on to present their great tributes to flamenco (Flamenco Puro) and jazz and the blues (Black and Blue) I hope these

shows can be brought here too. In the final numbers of Tango Argentino the stage is full of couples. All of them are involved in different dances. They move, with the music, from slow to fast, and the stage is full of detail: lunges, kneels, backbends, and those masterful feet. Your eye cannot take in all of it; and your head almost bursts. Just as all of it. almost bursts. Just as all of it coalesces into a single image of collective crotic doom, Nelson the greatest partner of them all) suddenly turns his woman (the severe, sharp Nelida) upside down, holds her there on his thigh, and laughs.

Henry VIII

Thackeray was right to feel that the dignity of history diminishes as one growe better acquainted with the materials which compose it: "Only he who sits very near to the stage can discover of what stuff the spectacle is made." Henry VIII et Chichester relies heavily on spectacle to leaven a production of one of Shakespeare's least inviting plays. The result is as fine a rendering of this play as one can imprine can imagine.

Nonetheless, the stage history threatens to be more compelling than the play itself. Henry VIII, the fruit of Shakespeare's collaboration with John Fletcher, was playing in 1613 when the Globe Theatre burned down. And in 1628 George Villiers, then Duke of Buckingham, commissioned a production on the eve of his fall from grace: he stayed till Shakespeare's Duke of Buckingham was executed, and left.

Of course, the play is really shout

of course, the play is really about the demise of Thomas Wolsey and the misery of Henry's first wife, Kather-me of Arragon. The action tends to push Henry into the shade. But the issues, while not dramatically real-ised, are pertinent both to Elizabethan politics and Tudor history: the manipulation of public opinion; the usefulness of image-making; the impact of power on the powerless; and the question of institutional legiti-

Ian Judge's production has Keith Micheli's two-dimensional Henry straight from the Hobein portrait; matey hut querulous, civilised hut impulsive. Although the play outlasts Woisey by two acts, it is the machinating Cardinal, snperbly played by Tony Britton, who makes the issues come alive and gives the play what shape it has. He is the essential ambitions subject "spider-like, out of his self-drawing web", honey-tongued and jealous of his own counsel. He shows some sparks of Richard III in everything hut his disappointing repentance at the end: "Can thy spirit wonder/A great man should decline?" The scene of his fall is the best in the play. In a strong cast, Dorothy Tutin (Queen Katherine) — powerless, friendless and expatriate — finds exactly the right combination of public strength and private weakness. Ian Judge's production has Keith

lic strength and private weakness. Geraint Wyn Davies as the hapless Buckingham and John Quentin as the

slippery Gardiner enliven the personal politics. And Flona Fullerton makes the most of Anne Bullen, even if she does lack the opportunity to convince us of her substantial though

inadvertent threat to Wolsey. The set, s revolving plinth backed by e large map of the Thames, keeps the action flowing. The costumes, contemporary Tudor, are superb. But the high ceremonial of Anne's coronation and the christening of the princess Elizabeth are made by Nigel Hess's music, "Gloria" and "Jubilate." A sharp prologue and commentary (Neil Dalglish) treats the action just like a wax tableau, explaining and clarify-

tion delivers more ebout Henry's political and cultural accomplishments than the play can, and has the advantage of being, for the most part, wife-free, allowing a different renais-sance prince to emerge. But this production should make a fine five-bun-dredth birthday present for Henry

ing.
In this year of Henrician celebra-tion, the current Greenwich exhibi-

Andrew St George Tony Britton as Cardinal Wolsey with Keith Michell's Henry

Royal Concertgebouw Orchestra Black Poppies

SYMPHONY HALL, BIRMINGHAM

In Symphony Hall on Wednesday the Concertgebouw and its principal conductor Ric-Concertgebouw and its principal conductor Riccardo Chailly gave e fascinating programme of Haydn, Schoenberg and Schumann. Such fare appears to have been deemed too risqué for London eudiences; the orchestra's eppearance in the Festival Hall tonight plays safe with Bruckner. The new Birmingham hall is likely to be included on the itineraries of many visiting orchestras, and there will be plenty of opportunities to discover how the acoustics cope with a variety of performing approaches. Nevertheless the Concertgebouw Orchestra promised a revealing test: not only is it e band whose own sound has been deeply affected by its home hall in Amstersdam, but that very hall was one of the venues that influenced the thinking of the Birmingham designers. Bhrmingham designers.

It is too early to pronounce whether Symphony Hall is going to join the Amsterdam Concertgebouw in the highest international flight, but already one can state confidently that there is no better place in these islands to listen to orchestral music. Whatever one thinks of the look of the auditorium, the warmth, immediacy and detail of the sound are breathtaking. There was a surprisingly generous resonance: the opening phrases of Haydn's Trauer Symphony, No.44 in E minor, lingered messpectedly, yet never for a moment clouded the textures. Under Chally the Concertgebouw appears to have lost a little of its mellow, nutry string sound and instead gained in fleetness. It still makes a sumptuous noise, but the way the finale of the Hayda was negotiated, with no

overt concessions to authenticity, was buoyed up by lightness and grace. Steadily too, the conductor is expanding the orchestra's repertory. His fondness for early expressionism has already produced several fascinating recordings, and Schoenberg's Five Orchestral Pieces Op.16 here had a confident grasp of shape and idiom. Sometimes Chailly moulded the pieces a little too intrusively, "Farben" is even more effective delivered with icy precision in the Boulez manner rather than nudged and cossetted. But the ner rather than nudged and cossetted. But the explosive climaxes of the first piece were vivid, and the dense polypbony of the last never became over-saturated.

Because he seems to conduct other orchestras so rarely nowadays, Chailly's maturity as an interpreter has only gradually registered. But Schumann's Second Symphony here had a e powerful, comprehensive charge, built through the slow introduction, flecked with the Concertable. gebouw's peeriess brass, and never afterwards relaxed. The scherzo was a miracle of articularelated. The scherzo was a miracie of articila-tion, the slow movement sculpted in long, elo-quent paragraphs, the finale a boundless feast of string and wind tone. As encores Chailly and his orchestra offered three of Schubert's Ger-man Dances, in arrangements by Bruno Mad-erna which recruit e piccolo and battery of percussion. They are salon muts wittily cracked by orchestral sledgehammers and darkingty. by orchestral sledgehammers, and dashingly played, even if "dashing" is not a word euto-matically associated with the Concertgebouw on its previous visits.

Andrew Clements

Here is rather a mature stage documentary about blacks in the British armed forces and their return to civilian life. Black Poppies makes no pre-tence to be a play: it is an eccount, drawn from direct experience, of West Indians in the British services from the Second World War to the present day, with n spell of duty in Northern Ireland very much

It is worth seeing partly because it is very well done. The performance et Stratford East is in cooperation with the National Theatre, so the per-formances and the direction are uniformly excellent. It is also worth going to because of the strength of the documentation. No one could doubt the claim that it is based on care-

claim that it is based on careful, first-hand research.
Put very briefly, the message is that the blacks were welcomed at the time of the war because the country, and indeed the empire, needed them, and many of the West Indiens were glad to serve. After the war, the armed forces were still a better place to be

professionalism. There is a feeling that everybody is in it together, or, at any rate, up to a point. The problem is that, at e certsin level, promotion stops. For instance, the bleck hugier, whatever his merits, does not get to the top of the

military band.

The piece has additional virtues. These West Indians are not very different from working class whites. When they whinge, the whinge is outhen-tically British. But not all of them do whinge. The one who comes to command e tank tends to look down on his fel-low blacks who leck aspira-

Yet despite wanting to do many of the same things as the whites, they also regard them-selves as somehow different. The phrase osed in the army, and no doubt in other sections of British life, "He's not black, be's one of us", is not seen entirely as a compliment.

The line that stands out more than any other is "being black means you have to be twice as switched on to get were still a better place to be than civilian life because the military at least recognises

anywhere". That says every-thing about discrimination and the absence of promotion to

the highest levels. There are also some nice points about why blacks join the armed why hlacks join the armed forces but not yet the police. If they did go into the police in any numbers, one of them observes, a lot of things would be different. And whet If a group of them, having left the army with considerable skills – including killing – were to get together?

There is no sense of inferior.

There is no sense of inferiority; nor should there he. These black soldiers are perfectly capable of recognising e white psychopath when they see one and analysing him. The piece is preceded by one of those wartime screen government information features claiming to show how easily the races worked and played together when the empire was under

threat.

Block Poppies, without bitterness, shows some of the
underlying problems. It is
directed by John Burgess, and if one were to pick out one actor among several it would be Colin McFarlane for his account of a black's role in

Malcolm Rutherford

Nabucco Claudio Segovia and Hector ROYAL FESTIVAL HALL Orezzoli, who first conceived

an inch from the tip of his umbrella in sheer kos's bass, well known in London, has develenthusiasm. The audience at Tuesday's Nabucco oped into one of the grandest and fullest-toned by Opera in Concert (in aid of the Bristol Cancer Help Centre) cheered that lustily, and much else

It was a happy evaning. The opera is irresistible (though curiously enough our London houses seem not to find it so: *Nabucco* has not been given by the Royal Opera since the late 1970s, and not ever by ENO at the Collseum). The power, musical boldness, and flaming theat-ricality of Verdi's first popular success never go dim. Furthermore, it can come off singularly well in concert-opera conditions, since the drama is focussed with unwavering directness on the contrasted personages in the foreground

and on the chorus.

On Tuesday those personages were interestingly and effectively chosen, along with a good orchestra (Royal Philharmonic) and chorus (London Pro Musica) led by an uncommonly gifted young conductor, Paolo Ohni. There was gifted young conductor, Paolo Olmi. There was plenty of the vocal spark needed to ignite the four short acts; but there was none of the crude posturing, vocal and indeed physical, that sometimes accompanies it in Verdi concert performances of this kind. All the leading singers encouraged us to admire the work as well as their execution of it; and Mr Olmi, though he has not yet mastered that "longer line" that only the most mature Verdians — the Serafina his thigh, and laughs.

Only the most mature Verdians – the Serafins and the Downeses – seem to command, supported them with vitality and finesse.

It was the chorus "Va, pensiero" from *Nabucco*which moved Bernard Shaw to wear down half
In terms of voice alone the great Verdi performance came from the Zaccaria. Dmitri Eavrainstruments currently before the public - cer-tainly the nobiest to cantabile style. He is not exactly an electrifying singing-actor; he does not vary dynamics or verbal shadings in any dra-matically charged fashion. But the steady, rolling beauty and grave dignity of his singing created their own Verdian anthenticity.

That "extra" of charged dramatic commit-ment could be felt in both the Abigaille of Julia Varady and the Nabucco of Matteo Manuguerra. The soprano, a lovely, vibrantly sympathetic artist lacking the metal in the tune for so melod-ramatically far-flung a vocal line, makes it her own by the truthfulness of her musicianship and the free-throated resilience of her techand the restandant residence of the testi-mique. Manuguerra, to his 60s, sounded crusty — even, at the start, rather rusty — and et the same time full of kingly euthority, so that even when the voice was forced to gloss over details, the personality retained its larger-than-life ripe-A sumptuous mezzo Fenena from Anne-Marie

Owens, alert, intelligent comprimerti (Lesley Garrett, John Tranter, Christopher Ventris), and a tight, monochrome Ismaele from the young Italian Salvatore Ragonese. Opera to Concert plan more of these early-Verdi concerts. They cannot happen soon enough.

Max Loppert until June 1) certainly confronts them, and yet it does

The Magic Flute

Whenever I attend a little to resolve them Instead, performance of The Magic it sdds other problems. Sarastr Flute, I leave the theatre half The Magic Flute becomes e is badly expecting to fight my way through picket-lines of militant feminists and anti-recists. Every time the all-good and allwise Sarastro comes onstage, he makes some perllous remark like "Without a man's guidance, e woman goes astray or (to the Moor, Monos-tatos) "Your soul is as hlack as your face."

The problem doesn't occur in Mozart's score. Indeed, the

impishness in his music for Monostatos and the radiant tranquillity with which he finally requites hero and heroine turn all such difficulties into strengths. But during the opera's several passages of spoken dialogue there are undeni-ably awkward moments. Every modern production handles these issues its own way – evasively, aggressively, frivo-lously or frankly. Stephen Medcalf's staging (which Opera 80 is currently alternating with Don Pasquale at Sadler's Wells with Lynn 1, westerly be a stagent of the control o sort of psychodrama. The "ser-pent" which assails Tamino is

in fact part of a nightmare — 8
man, bare-chested, black-faced,
with dagger poised at Tamino's
throat. in the "portrait" aria,
Tamino sees not Pamina's picture hut, through an empty frame in his hands, Pamina herself. Pamina has an even more complicated time with her mother than in other stag-There's plenty of internal

evidence to support such an approach. Only look: all that sleeping, talk of dreaming and tense references to the elder generation, opposite sex and bogeymen. But Medcalf doesn't focus his ideas well. nature (the wild animals tamed

And the opera's references to by the magic flute in Act One) and the real world (the dawn before Pamina's attempted sui-cide in Act Two) are played down here. The opera often says "Look outside, know other forms of life," but this staging only says "Look inwards, know

Sarastro (Andrew Gallagher) (Stephen Austin) is tight-voiced and unpoetic; and the choruses do not benefit by being sung by a handful of singers (nine in the finale, four for "O Isis and Osiris") - not this handful, anyway.

But almost all the words are clear. Ivor Bolton's tempi are brisk hut never hectic. The magic-bell dance in Act One and the Papa-Papa reunion are wittily choreographed. Penalope Randall-Davis (Queen of the Night) and Llsa Tyrrell (Pamina) are rather fluttery; hut the former hrings off the famous staccati in all and the latter, always spontaneous, makes the last phrases of her besutiful eris liquid and melting. This is a most com-plex opera, perhaps the most difficult to stage in the whole repertory. This isn't e neat or satisfying production, but I admire it for making me even more aware of the opera's complexities than before.

Alastair Macaulay

INTERNATIONAL **ARTS** PREVIEW & EXHIBITIONS

Next Thursday sees the world premiere at Covent Garden of Harrison Birtwistle's new opera Gawain, a Royal Opera commission. The work is based on the 14th century poem Sir Gawain and the Green Knight, which tells of a supernatural figure who challenges King Arthur's court to an exchange of blows. The libratio by David Harsent is an original dramatic poem for voices which follows the events of the medieval work. The conductor is Elgar Howarth, who played a large part in the success of Birtwistle's The Mask of Orpheus at the ENO in 1986. The cast includes François Le Roux in the title role and John Tomlinson as the Green Knight. There are six performances from May 30 to June 22.

The festival season is gathering momentum. The theme of this year's Bath Festival (May 24-June 9) is Beyond Vienna, focusing on the music of central Europe, in tonight's opening concert, Libor Pesek conducts Suk's symphonic poem Praga. Other visitors from Czechoslovskia include the

Martinu Quartet, the Musica Antiqua Prague and the violinist Josef Suk. Hungary is represented by the plano duo Tamas Vasary and Peter Frankl, the Amadinda Percussion Group and the Janosi Percussion Group and me Janosi
Ensemble, who offer the
hot-blooded vitality of authentic
Hungarian folk music. The Borodia
Quartet and other prominent
Russign artists are also featured.
The highlights of the Dreeden
Festival (May 25-June 9) are a
concert performance of

Meyerbeer's opera il crociata in Egitto (Sun), and a visit by the Hamburg State Opera with Alfred Kirchner's production of Idomene (May 28 and 31) and a new ballet by John Meyerbear (May 20 and by John Neumeler (May 30 and June 1). The Semper Opera's Mozart repertory is headed by a new production of Entiuhrung (tomorrow), and the National Theatre in Prague will bring Prokofier's Betrothal in a Monastery. There are concerts by the Dresden Philhermonic under Lothar Zagrosek, the Blomstedt and the Los Angeles Philharmonic under Kurt Sanderling.

EXHIBITIONS GUIDE AMSTERDAM

Rijksmuseum A Century Apart: 19th century Dutch and French paintings from the museum's own collection. Ends June 30. Also Chinese Painting: scroll-paintings and alhum leaves on paper and silk from 16th to 19th century. Ends June 20. Closed Mon Stedelijk Museum Prints by Charles Meryon (1812-1888), ranked with Piranesi as the

greatest of architectural etchers.
Ends Aug 4. Daily
BARCELONA
Fundacio Joan Miro Sergi Aguilar:
sculptures and drawings 1989-91,
by an artist often identified with
Minimalism. Also Lee Miller: 96 images by the early 20th century American photographer. Ends June 16. Closed Mon BERLIN

John Heartfield After Museum John Heartfield (1891-1968): centenary retrospectiva of the influential Berlin-born photo-montage artist, known for his life-long Communist beliefs. Ends July 11. Closed Mon

and Tues Museum für Moderne Kunst Metropolis: a foretaste of trends In the 1990s, with 200 works by ertists from 20 countries. Ends July 21. Also Berlin: Today and Tomorrow, plans for Berlin's future by 17 prominent architects. Also Photographs by Merta Astialck-Vietz (b1901), with examples of her experimental

work from the period 1922-35. Ends July 28. Closed Mon CHICAGO Art institute Paul Strand: first retrospective of the American photographer eince his death in 1976. Ends July 21. Also English and French Printed Textiles: 100 examples mainly from the 18th and 19th centuries. Ends Sep 3.

COLOGNE Schrutgen Museum Book decoration in the era of the 10th century Ottoman empress Theophanu. Ends June 18. Closed

FRANKFURT Judisches Museum Friedi Dicker Brandels (1898-1944), Jewish artist | Jingtal: 35 Chinese cloisonne

killed in Nazi concentration camp. Ends July 28. Closed Mon Schim Kunsthalle From Lucas Cranach to Caspar David Friedrich: German artists from 16th to 19th century. Ends June 9. Daily

Barbican Canadian landscape paintings 1896-1939. Also Contemporary Art from Canada, focussing on city and suburban images. Ends Juna 16. Dally MADRID

undacion Juan March Maria Helena Vielra de Silva: 64 abstract paintings by the Portuguese artist (b1908), distinctive for her prismatic effects. Ends July 7.

MUNICH Antikensammiung Ceremonia) and ritual drinking bowle from Attica: 168 examples from ancient Greece. Ends Oct 27. Closed Mon Kunsthalle der Hypo-Kulturstiftung Marc Chagall: 111 paintings end four wall tapestries from American

and European collections. Ends June 30. Daily Lenbachhaus Nikolaus Lang (b1941): collages using natural materials from Australia. Ends June 16. Villa Stuck Genuine Fake: the art of copying by Mike Bidlo, with numerous startling examples.

Ends Aug 18. Closed Mon NAPLES San Domenico Maggiore Choir-book manuscripts 1400-1600, showing how the art of book decoration flourished despite the emergence of the printing press. Ends June 23. Daily

NEW YORK Brooklyn Museum The Blue of enamel vessels mainly from the 18th century Clanlong ara. Also Tiffany lemps and glass vases from the early 20th century. Ends June 30. Closed Tues Metropolitan Museum of Art The Sculpture of Indonesia: anciant Hindu sculpture, delicate gold figures end e life-size stone Buddha. Ends Aug 18. Ends Juna 16. Closed Mon Museum of Modern Art The Gardens and Parks of Roberto

Burle Marx, examining the work of one of the most important 20th century landscape architects. Ends Aug 13. Also Seven Master Printmakers: Innovetione of the 1980s, with 55 works showing how David Hockney, Jasper Johns, Robert Rauschenberg and others redefined possibilities for the print

PARES Centre Georges Pompidou Andre Breton (1896-1968): wide-ranging exhibition recreating the aesthetic world of one of the leading theorists of Surrealism. Ends Aug 26. Closed Tues

medium. Ends Aug 13. Closed

Galerie Daniel Malingue Moise Kisling: retrospective of the Polish-born member of the cosmopolitan Ecole de Paris. Ends July 14. Closed Sun Galerie Schmit French Masters of the 19th end 20th centuries: this annual event by the prestigious town-house gellery astonishes yet again with its roll-call of great names, dominated this year by a jewel-coloured Rouzult, Ends July 18. Closed Sun Grand Paleia From Corot to tha

homage to Etienne

Impressionists: exhibition in Moreau-Nelaton. Ends July 22.

Also Georges Seurat retrospective. Ends Aug 12. Closad Musee Rodin Camille Claudal:

100 works by Rodin's disciple and tragic lover. Enda June 20. Closad Mon Louvre, Pavillon da Flore Spaniah Drawinge: Masters of the 16th and 17th centuries, with 137 works from the Louvre and Spanieh museums. Ends July 22. Closed

Tues Louvre des Antiquaires Seeting power: tha historical development of seats as furniture, including a meharajah's throne, guilded Louis XIV armchairs and art nouveau chairs. Ends Aug 16.

Louvre (entry through the Pyramid) Treasures of Saint-Denia. Ende Juna 17. Closed Tues PRAGUE

Convent of St George Ancient Chinese Art from the National Gallery collection. Ends Sep 15. Closed Mon STUTTGART

Staategelerie Max Ernst: centenary retroapective of the German-born Surrealist, with 200 works from worldwide collections. Ends Aug 4. Closed Mon VENICE

Fondazione Cint Michelangalo and the Sistine Chapel: photographic and scientific documentation of the restoration, prints by artiets inspired by the frescos and a group of original preparatory drawings by Michelangelo. Ends July 28. Closed Mon
Palazzo Grassi The Calts. Enda

Dec 8. Daily

Albertina Dutch drawings from

tha Abrams collection: 100 drawings mainly from the early 17th century, including works by Rambrandt and hie school. Also Mertin Disler (b 1949): prints end etchings by the varsatile Swiss artist. Ends June 30. Dally except

May 30 Kunstforum Landerbank Oskar Kokoschka: 90 paintings from worldwida collections, tracing all phases of his artistic davalopment. Ends Juna 23. Daily Museum of the 20th century Imege-Light: developments in non-material forms of painting, such as those consisting only of light end pura colour. Ends July 7. Closed Wed WASHINGTON

National Gallery Roberi Rauschenberg (b1925): 150 examples of the influentiel American artiet'a recent work. Ends Sep 2. Daily WEIMAR

Autonomes Cultur Centrum Pictura snape from the Bauhaus: 60 ert photographs documenting the lifestyle of the famous school of erchitecture and design. Ends June 22. Closed Sun and Mon WIESRADEN

Museum Alexej Jawlensky end Agnes Martin: the Russian artist Jawlensky (1864-1941) was Influanced by Metisse, formed the Blue Four with Kandinsky, Klee and Felninger, and settled in Wiesbaden. Martin (b1912), winnar of the first Jawiansky memorial prize, is linked to the New York ebstract expressionists. Ends July 21. Closed Mon ZURICH

Kunethaus Modigliani: 55 paintings and 90 drawings. Ends July 7.

FINANCIAL TIMES

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Friday May 24 1991

Labour and industry

THE LABOUR party has striv-an hard to replace its old repu-tation as enemy of capitalism with a new image as the friend of husiness. It no longer talks of controlling the commanding heights of the economy, but of forging a "partnership" with industry to re-build the country. try's manufacturing hase. Profit, enterprise and wealth Creation have all hecome respectable words.

But how deep does Labour's conversion go? And does it offer anything distinctive to Britain's industrial prospects? The party's shift partly reflects three electoral defeats. But it also acknowledges prac-

tical constraints. Privatisation ins gone too far to be wholly reversed on other than confiscatory terms. The scope for intervening in industry is increasingly circumscribed hy tough competition and merger rules enforced by Brussels.

These constraints bave led the party to focus on hroader policy priorities – many of them shared by the Confedera-tion of British Industry. Lahour rightly places much emphasis on education and training. Its commitment to improving public infrastruc-ture is welcome, as is its sur-prising readiness to involva private capital. Decentralisa-tion of regional policy seems sensible, while proposed tax breaks for research and devel-opment and gestures in favour tle harm (though they may also do little good).

Competing claims

All this is fine so far as it goes, but it may not go very far. Upgrading education and infrastructure is a long-term challenge. It is also bugely expensive. Yet a fiscally-responsible Labour government would have limited extra resources to play with - and many competing claims upon them. Launching a raft of quangos may make matters worse, by draining scarce funds into half-baked schemes, such as a National Investment Bank and subsidies to encourage cash-rich defence contractors to diversify.

party's second problem is that it has learned to live with capitalism, but not with the market. It remains wedded

should go a little way to catch up with those across the street.

It is hard to guess what was in their minds when they allowed

that gap to widen so drastically in the previous two years,

when pay rose only 4 per cent;

harder to explain their timing. But the final decision was for

the governor. This was not the

However, puritan principles can be carried to dangerous

extremes. US administrations, according to old Washington

according to old washington hands, are increasingly driven to recruit all their top officials from three classes: the fanatical, the stupid, and the independently rich. Mr Paul Volcker, who came to the Fed from a lifa spent almost entirely in the public service, was finding personal money.

was finding personal money quite a problem when he resigned, and won much sym-

He saw low pay as a real threat to the quality of govern-

ment, and spent much of his first year in the private sector

(after a pay rise of the order of 2,000 per cent) campaigning for better terms for all his former

The Bank of England is well

clear of this dilemma. Its sala-ries do not pretend to match those available in the riskler

dealing rooms, let alone in the

largest public companies (the chairman of ITT earned more in a week in 1988 than the governor gets in a year, even after his rise). But Bank salaries

hava long been comfortable (comfortable enough to frus-trate the Treasury recruiters

Comfortable salaries

How should central bank governors be paid? Fairly meanly, as a general rule.

year for the one ha took

which views government's role as containing competition rather than making it work more efficiently. Its policy on mergers, for example, would subordinate competition to loosely-defined "public intarest" criteria, to the detriment of consenses such a move provide the detailed in Campany. would be decried in Germany
- supposedly a model for
Lahour's industrial policy where the importance of tough laws on competition is prop-erly understood.

Retrograde idea

Labour's limitations show up even more clearly in its atti-tude towards the privatised monopoly utilities. It proposes to turn the clock back by re-asserting state control over Brit-ish Telecom, the national electricity grid and water. Yet who, other than the trades unions, could gain from a return to the bureancratic inef-ficiency which characterised Whitehall's governance of nationalised industries?

The government is vulnerable to the charge that it has too often put the acquiescence of the privatised enterprises and ease of privatisation ahead of the consumer interest. Labour could have responded by promising to break up the privatised giants further, in the interests of competition. It seems determined, instead, to exacerbate the government's mistakes.

It also remains blind to one of the better policy innovations of recent years, the emergence of a framework for regulating monopolies. There is scope for developing this and for extending pro-competitive regulation by, for example, giving more power and independence to the

Office of Fair Trading.
Initiatives along these lines could stimulate industrial performance, while giving sub-stance to Lahour's claims to represent the interests of individual citizens. But such ideas appear too radical for a party intent on currying respectabil ity with producers, and not upsetting the unions. As a result, its industrial policy seems likely to amount, in practice, to little more than a resolute transpare in Frontier. modest increase in spending, a

lot more quangos and some cautious tinkering at the margins of the economy.
This is the third in o series on to a producer-driven approach, The governor's

oversight THE GOVERNOR of the Bank once or twice), and clearly of England is responsible for the value of the currency, promeet what was once pro-claimed as the Thatcherite criterion for public service posts: the rate needed to attract the tected partly through stern lectures; and for oversight of the financial markets, disciplined right man. Not even rumour has ever heard of anyone who rejected the governorship on - at least by tradition - with

raised eyebrows in the privacy of his own parlour. Now, thanks to a different kind of oversight, he finds himself the pay grounds. Indeed, the aftermarket in Bank officials is so heavily bid amharrassed victim of eye-brows and indeed lectures; he thet nobody with an ounce of financial foresight would refuse any senior Bank joh. needs no outsider to tell him It was an error of judgment.
The outside directors of the (This not only saves public money, but also usefully weeds out those lacking foresignt.) Bank no doubt meant well when they decided that sala-ries in Threadneedle Street

Political cost

In fact there is very little economic meaning to the Bank pay review – all political cost, and no benefit. The case for comparability is weak at the best of times in such a prestigious, sheltered agency - and this is the worst of times. Perheps payment by results would be more appropriate, with rises inversely related to the rate of inflation, and pay cuts once this passes some sensible threshold – halow recent rates, in any case. Top Treasury officials, including minis ters, could come under the

In the real world, the governor's gaffe is a venial matter -certainly when it is compared with those committed by rival with those committed by rival lecturers on pay, from the president of the Confederation of British Industry (who is also chairman of the Frudential, where on recent evidence it seems that board pay rises and wobbling profits go hand in hand) downwards. Excessive rear vices involve that the lays of pay rises imply that the laws of the market are only for the toilers, which is bad economics

and worse politics. We have already suggested that shareholders should con-front this problem, though this can be difficult when some of the money managers who exercise their votes are themselves on the list. The most conspicu ous offenders should be suscep tible to political pressure - double digits, no K; double the rate of inflation, no peerage, ever. Well, hardly ever, for it is ministers, rather than company chairmen, let alone Bank directors, who may get the redundancy notices that result from these pay excesses.

r Boh Hawke, Australia's long-serving Labor prime minister, is always at his most dangerous when his opponants think he is beaten. But there are aigns that Labor's long honeymoon with the Australian vot-

honeymoon with the Australian votars may be coming to an and.

Only 14 months ago, Mr Hawka led the party to an unprecedented fourth general election victory, confirming his personal popularity and underlining Labor's claim to have become Australia'a natural party of government. The election left Labor in control of the federal government and five of the six states, with only New South Wales in the hands of the conservative Liberal/National party coalition. Labor is being put to the test in tion. Labor is being put to the test in this key state when voters go to the polls in state elections tomorrow.

The outcome is unlikely to mar

The outcome is unlikely to mar Labor's centenary celebrations in Hobart next month, when Mr Hawke will claim credit for the party's most successful period in powar since its foundation in the shearing sheds of rural Queensland. But while the party faithful are drinking their Australian champagne, the teetotal Mr Hawke will be pondering the political hangwill be pondering the political hang-over that looks likely to follow.

Labor's dominance of Australian politics in the 1980s was built on a repudiation of the hig spending which brought the last Labor government under Mr Gough Whitlam to an ignominious end in 1975, when the conservatives took power in a landslide.
When the Hawke government came to office in 1983 it embarked on a policy of fiscal prudence combined with afforts to increase the competitiveness of the economy hy exposing it to

international competition.

The policy won widespread support from business, which applauded a growing federal budget aurplus and initiatives such as the deregulation of banking, floating of the Australian dollar, sholition of exchange controls and reduction of protective tariffs. At the same time, Labor persuaded the unions to accept a series of agreements, trading tax cuts for wage restraint, which helped dampen double-digit inflation and partially

protected living standards.

The formula delivered average annual gross domestic product growth of 4 per cent during the second half of the 1980s, while simultaneously beginning the transformation of Australia from one of the world's of Australia from one of the world's most protected economies. The gov-ernment also achieved a significant change in attitudes: perhaps for the first time, there is now widespread acceptance that "this tough, increasingly competitive world of 5%hn people does not owe, and will not give, 17m Australians an easy prosperity", as Mr Hawke put it recently.

So wby, as it gears up to give itself a pat on the back, is Labor trailing the conservatives by 17 points in the latest Morgan Gallup opinion poll, and facing what Mr Wayne Goss, Queensland's Labor premier, warns may be a decade of retreat? The answer lies in the government's mis-handling of the economy as it switchbacked from boom to hust, and in a combination of incompetence, corrup-tion and bad luck at state level, which is jeopardising the party's reputation for sound management.

With hindsight, the turning point can be identified as late 1987, when Australia loosened monetary policy to maintain liquidity in the wake of the glohal stock market crash. Lower interest rates set off a boom which in turn stoked up the current account deficit to an unsustainable A\$21hn, (£9.40bn) equivalent to 5.5 per cent of GDP. With its fiscal hands tied by the accord with the unions, the government had no option hut to resort to interest rates as high as 18 per cent to slow the economy.

Higher rates have helped reduce the current account deficit to an annualised A\$17bn in the current year, but the economic cost has been five quarters of slow or negative growth, and a

Mishandling of the economy has drained away support from Australia's long-serving Labor government, writes Kevin Brown

Riding to the end of a wave



rapid increase in unemployment, which reached 9.9 per cent in April.
Joblessness is likely to go on rising
for several months, making a mockery of Mr Hawke'a pledge that it

would never reach 10 per cent.

The only bright spot in the economy is inflation, which fell to an annual rate of 4.9 per cent in the three months to March, enabling the government to claim a "historic" breakthrough, even though much of the improvement was due to weak demand and one-off factors such as falling fuel prices in the wake of the Gulf war. But the government is unlikely to forget the lesson of its Labour counterpart in New Zealand, which also tamed inflation, but crashed to a dramatic election defeat partly because of high unemployment. Technically, Australia emerged

from recession in the December quarter, but the economy remains weak, and the government has been reduced to hanging on in the hope that a recovery will begin in the second half of the year. There are, however, few signs that the economy has bottomed. On the same day last week that Mr Paul Keating, the federal treasurer (finance minister) was urging Australians to go out and consume, Mr Don Argus, managing director of the National Australia Bank, was warn-ing that the start of the recovery might be delayed until as late as the

middle of next year.

The danger for the government is that the longer the delay, the more likely it is that unemployment will be unacceptably high when it has to go

made a gesture hy not accept-

Richardson, was well-known

for foregoing a portion of his salary. In nine out of his ten

years in Threadneedle Street, he took less than he was en-

Richardson would delay for several months his approval

of pay increases. These would eventually come through, appropriately backdated, but sufficiently tardily to drive

homa the message that people should not look upon money

the subject of Bank of England

pay, how about a rise for the rest of the non-executive direc

tors? Their pay has been fixed at £500 per annum since time

immemorial. Just allowing for

mean raising their salaries to

■ Canada's Bronfman dynasty

shows no sign of loosening its grip on Seagram, the world drinks giant. The latest family member to move into

father, the first Samuel Bronfman, bought Joseph E Seagram and Sons in 1928 from

Canadian liquor to US boot-

leggers during Prohibition. The younger Sam first caught the public eye in 1975

when, at the age of 23, he was involved in a messy kidnap-ping in New York. He has kept a low profile since then, spend-ing the past five years running

the boardroom is Samuel Brontman II, whose grand-

Dynasty

inflation in this century would

as their sole reward.

And while we are still on

ing the increase. His predecessor, Gordon

OBSERVER

to the polls in March 1993. The alternative is to bow to increasing pres-sure within the party and the trade unions for higher federal spending to pump-prime the economy. Mr Hawke has hinted that higher spending may become essential if union support for wage restraint is to be maintained, hut it would mean abandoning hope of a budget surplus next year, and with it the government's conservative fiscal strategy. Mr Keating, who has already seen this year's projected sur-

The turning point can be identified as late 1987, when Australia loosened monetary policy to maintain liquidity in the wake of the global stock market crash

pins pruned from A\$8bn to A\$1.7bn by the recession, is fighting hard to avoid a return to deficit financing, but may have to give some ground in the next budget, due in August. The government has had serious

problems coping with the political impact of the weak economy, perhaps because contrition comes hard after eight years in office. Mr Keating now admits that he loosened monetary policy too much after the 1987 stock market crash, and tightened it too fast after the boom which followed. But few voters were very impressed by Mr

Keating's claim that they were undergoing "the recession Australia had to have", especially as he had earlier promised it would never happen. The treasurer has since withdrawn that remark, but the image remains of a government which has become engrossed in theoretical economics, protected by its cosy Camberra life-style from the economy of real Aus-

Against this background, the gov-ernment's managerial credibility is being steadily undermined hy damag-ing developments in the states, Labor ing nevelopments in the states, Lador is in trouble everywhere except Queensland, where Mr Goss only recently ousted the politically corrupt National Party government of Sir Joh-Bielke-Petersen. Significantly, even Mr Goss has distanced himself, in recent speeches, from the Hawke gov-ernment in an effort to insulate his Labor's problems elsewhere.

The worst difficulties are in Victoria, where the state budget deficit has grown to A\$2bn as a result of the collapse of the state-owned Tricontinental merchant bank and the enforced sale of its parent, the State Bank of Victoria. In Western Australia, sensational allegations are emerging from a royal commission into the state Labor government's close rela-tionship with local entrepreneurs. such as Mr Alan Bond and Mr Laurie Connell, and the state government is unlikely to survive stories of satche full of cash being passed around. The federal party could also become directly involved in the scandal following claims that some of the entre-preneurial money found its way to Canberra to help finance federal elec-

Canberra to help finance federal election campaigns.

Even the South Australian government, once the chief feather in
Labor's cap, is in trouble because of a
A\$1bn loss by the government-owned
state bank, which is being investigated by another royal commission.

And in tiny, Tasmania, the island
state which is home to fewer than
200,000 people, a minority Labor government has proved unable to hold
together an alliance with the radical
Greens, and could be pitched at any
time into an election it will probably
lose.

time into an election it will probably lose.

Labor's electability will be tested tomorrow in New South Wales, the richest and most populous state, where Mr Nick Greiner, the Liberal premier, has called an early election in an attempt to capitalise on the contrast between his government's relatively sound performance and Labor's disasters in Camberra and the other states. Mr Greiner's campaign theme is simple: "This is the first recession in which there have been clear interstate differences." he says.

"It is the first recession where the policies of different state governments have clearly, beyond any doubt, beyond any argument, led to dramatic differences in the quality of economic life." It is a message which looks like keeping him in office, especially since Mr Bob Carr, his Labor opponent, is having to spend much of his time keeping federal Labor leaders out of the state, and ducking responsibility for their policies.

Mr Greiner's confidence is echoed by other state Liberal leaders. For

Mr Greiner's confidence is echoed hy other state Liberal leaders. For example, Mr Dale Baker in South Aus-tralia saya Labor's "incompetence" will inevitably lead to the defeat of most of Australia's Labor govern-ments, and Mr Barry MacKinnon in Nestron Australia says correction Western Australia says corruption revelations will put Labor out of busi-ness for years. By contrast, Labor despondency is epitomised by Mr John Bannon, premier of South Aus-tralia, and federal Labor president, who admits that the party is pinning most of its hopes on persuading tha voters that things were not much better under past conservative govern-

Once, Labor could have counted on the business community for support in tough times, but few businessmen are now willing to speak out on the government's behalf, and many are ready to complain. Mr Ian Spicer, chief executive of the Confederation of Australian Industry, says business "strongly holds the view that the gov-ernment has lost its way and no longer has a clear or coherent economic or industry policy. That contrasts quite strongly with the first five or six years of the Hawke government, in which it clearly had a view and a policy, and whether business liked it or not there was a degree of confidence that at least the government knew where it was going.

where it was going."
With two years to go to the next federal election, the government is far from finished. Mr Hawke remains marginally more popular than Dr John Hewson, the Liberal leader, and the party continues to dominate the conservatives in the federal parliament. Dr Gerard Henderson, director of the Sydney Institute, a free market think tank, acknowledges that the government looks tired, but says it is too soon to write off Labor, and suggests the party may recover ground quickly once the economy picks up. Nevertheless, Labor looks in its worst ahape for years. Mr Hawke may still achieve his dream of a fifth successive federal election victory, but the odds are growing longer. As a gambling man, the prime minister would appreciate the significance of that

In yesterday's FT book review Power and Accountability by Robert Monks and Nell Minow was incorrectly referred to as Power and Responsibility. Wa apologise for the error.

Grown in the job

■ There must be a warm glow inside BT's executive chairman Iain Vallance, at last winning the stature befitting the head of a company making a profit of more than £3bn annually. His appointment in 1987 was greeted with dismay by some ministers, who wanted a stron-ger outsider to knock the then

and indifference by the public.
He succeeded Sir George
Jefferson in the top job as a
lifelong BT insider (his father worked for the General Post Office). He rose to the top because he was an adept com mittee man, schooled in the ways of the old bureancracy.

British Telecom into shape,

Yet in the past three years the quietly spoken, analytical Scot has confounded his critics. BT's quality of service has improved markedly. The trunk network has been modernised. Costs are being cut aggressively. Management organisation has been radically overhauled. The group has a new corporate image. Most importantly Vallance success fully charted its way through the recent government review

of the telecommun –
ications industry.
Once a somewhat ungainly
and shy performer, he has
become confident and relaxed.
And while the temptation to continue roosting in BT must be strong, he is on record as

saying he'll start thinking about his next joh in 1994. By then the remaining gov-ernment stake in the company should be sold. Morover be should have collected his knighthood. What better equip ment could a 52-year-old have for leaving the nest?

History lesson A couple of points need to be made about the Governor of the Bank of England's 17 per cent pay rise. Robin Leigh-Pemberton is hardly a poor man and could easily have



"I promise to pay the Governor on demand the sum of..."

a Seagram wine subsidiary in California. Sam's father, Edgar, is still in the driving seat at Seagram as chairman and chief executive. But with his 62nd birthday approaching, Edgar is clearly thinking of passing the torch to the next passing the torch to the next generation. Sam'a brother, Edgar Jr. is already president and chief operating officer, and the obvious heir apparent.

Tit for tat

■ The timeless war between high minds and low tastes has entered the high-tech era in Hong Kong where, although pornographic films and videos are openly available, high-minded censors electronically blur out the naughty bits of

The opposing side is counter attacking hy marketing a widget that brings them back into focus. It is an optical decoding device looking like a pair of night-vision goggles priced from about £20 to £50,

In support of the television and entertainment licensing authority that does the causor annonly that does he cansor-ing, veteran legislator Peggy Lam – who once burned por-nographic books in a public protest – is demanding a ban

on the decoders.

But they have a technical flaw likely to deter sales to all but the most concentratedly depraved viewers. When the naughty bits stand out, everything else on the screen is scrambled.

Smoke signals

■ Yet another informative press release from the Euro-pean Bank for Reconstruction and Development tells the waiting world that its president Jacques Attalisent a letter on Wednesday to Yugoslav president Ante Markovic.

It confided that "a stable structure for the new Yugo-slavia" was needed "for it to make full use of international economic assistance". Stability was important for Yugoslavia's development as a democratic market economy and "for its participation in the new nlarged Europe." Attall further vouchsafed

that "at this difficult time" for Yugoslavia, he was at Markovic'a disposal "to help in any way possible". The inference some are drawing from such cryptic smoke signals is that, despite some shareholders' fervent desire that the EBRD presiden should confine himself to run

bearer for a "new enlarged Didn't he do well Old does can learn new

ning a bank, he still sees his main mission as chief torch-

entertainer Bruce Forsyth's address yesterday to a London conference of independent financial advisers considering Securities and Investments Board topics.
"Nice to Sib you, to Sib you

Directors and officers liability is an area of potential risk which few directors fully appreciate. In today's climate, the possibility of facing

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Sensitive site subject to commercial climate

he wraps have come off site put forward in an international competition in 1987, has argued that 20th-century developers' instincts – their tendency to build quickly and the 4.2-acre site adjoining St Paul'e Cathedral.

STATE OF STREET

The position and scale of the development will make it one of the most prestigious in Lon-don. However, its commercial potential has to be reconciled with the architecturally sensitive nature of the site.

The Prince of Wales, who criticised the proposals for the

t last a planning appli-cation is being made to replace tha equalid architectural mess that is known as Paternoster Square the northerly neighbour of St Paul's Cathedral. It has always been hard to believe that the miserable collection of office blocks and draughty

pedestrian squares of the 1960s were once considered suitable neighbours for St Paul's.

For three weeks from tomorrow an exhibition of the latest proposals can be seen in Paternoster Square itself, in former shops between St Paul's Underground station and the west front of the cathedral. This seems to me to be one of tha

seems to me to be one of tha most important architectural matters affecting the City of London and the public has an opportunity to say exactly what it thinks about it in the next few weeks.

In 1956 the fashionable town planner William Holford was commissioned by the City Corporation to advise on an architectural policy "with regard to all buildings within the orbit of the dome of St Paul's". In his master plan for the area the dome of St Pani's". In his master plan for the area—which amazingly was enthusiastically adopted at the time—Holford ruled out any reinstatement of the streets or huildings that had heen destroyed or damaged in the London hiltz. He felt that more is to be gained by contrast in design, than from attempts at harmony of scale or character or spacing. He parked vehicles on ground level and raised a series of pedestrian decks which were then surrounded by a series of

heal case a

then surrounded by a series of buildings.

The new master plan has been prepared by a large and talented group of architects working for the new consortium of owners of the site and led by a troika of master plan-ners: Terry Farrell, John Simpson and Thomas Beeby, Each firm has designed individual buildings in the scheme and developed themes which unite the work of all the other archi-

developers' instincts - their tendency to build quickly and cheaply, and as high as regula-tions allow - would have to be suspended if Paternoster Square was to be "both a vindication of tradition and a model for the next century".

By opting for a plot ratio (ratio of built space to land) of 4.2:1, 20 per cent less than the maximum permitted for the site, the developers have gone

some way towards meeting Some analysts think the devel-these concerns. Nonetheless, opens expectations of rents of criticism may focus on the criticism may focus on the density of the scheme. The new buildings vary from four to nine storeys and will provide about 80 shops, comprising 125,000 sq ft of retail space and six office buildings, providing 630,000 sq ft of space. The commercial success of the project, which will cost the developers an estimated £800m, will depend on the scale of the recovery of the London property market.

open expectations of reals of more than £80 per sq ft in 1994-95 may be optimistic. The three partners, Grey-coat, a quoted UK company, Mitsubishi Rstate Company, a Japanese real estate company, a Japanese real estate company, and Park Tower Group, a US developer, have each an equity stake of £15m. The Venezuelan Organización Diego Cisneros, which sold the site at the end

low-security form of debt, has been provided by Mitsubishi, and £117m has been provided by the Swiss Bank Corporation as a short-term loan. Construction finance will not be arranged until the planning process is further advanced.
The developers intend to retain the project as an investment it also provides the first opportunity for three interna-tional partners to co-operate on a venture of this sort. of 1988, also has a part partici-pation in future profits. Some subordinated debt, a

Vanessa Houlder

churchyard has been restored, Views of the cathedral have been carefully considered and there will be more of them from ground level. Height restrictions mean that buildings range from five to nine storeys. Materials are limited to brick and stone. Temple Bar is to be returned to the City and will stand just to the north of the cathedral near the west

front.

The heart of the scheme is the new square. This is a twolevel space with a series of classical pavilions that flank broad flights of steps. To stand at the centre of it will be an at the centre of it will be an extraordinary experience — grand and enriched neo-classical styled buildings surround a space that is a hybrid of the centre of Siena and the Campidoglio in Rome. It will be a rich sight, and I am sure an enjoyable one.

The decision to have eight

The decision to have eight architects working here has hrought about an unusual sense of richness. The adoption of the classical language has resulted, not in a duli and uniform palette but in an ingenious and vigorous series of solutions which do belong in the London tradition.

The exhibition is exceptionally well presented it is possible quickly to understand the plan and see its advantages. The quality of drawing is high and there is a sense of a sober academic tradition recovering from a night in the wilderness.

It is essential that the quality of this scheme is as high as possible — when you follow the classical route it is an unforgiving one, insistent upon lasting quality in materials and details. I hope that the owners of the neighbouring owners of the neighbouring sites which are not as yet part of the scheme will feel inspired to co-operate. For once compre-hensive redevelopment does not mean uniformity but a

level of quality that can only bring pleasure. *Exhibition open from 10um to 6.30pm Mondays to Fridays; 10am to 4pm on Saturdays.

Wealth, not health, will determine the outcome of the next election. Conservatives who comfort themselves

with this thought should note the concomitant warning, which is that past perfor-mance is not necessarily a guide to the future and that opinion polls can go down as well as up. Still, it seems rea-sonable to assume that if there is enough money in the voters' purses many of them

will vote Tory once again.
That is why the response of
the building societies to the
polite interventionist pressure
put upon them by Mr John
MacGregor, leader of the
House of Commons, may be
the most important piece of
political news of the week political news of the week. Speaking at a Building Societes Association dinner in Glasies Association dinner in Glasgow on Tuesday night - from a text carefully checked with 10 Downing Street and the Treasury - Mr MacGregor pointed out that many homeowners have yet to see the benefit of interest rate cuts. Translation: if mortgages stay high Labour might win. This fits with Mr John Major's known belief that the benefits known belief that the benefit

known belief that the benefits of the lowaring of interest rates over the past six months have yet to work through.

The very next day the Halifax, the market leader in housing finance, announced that borrowers who had previously signed up for annual reratings of their mortgages would be permitted to move to a system of changes tied to the movement in interest the movement in interest rates. That means that the rates. That means that the next time the government knocks half a point off base rate, up to 1.2m voters – sorry, Halifax "budget plan" borrowers – will be eligible for a juicy reduction in their monthly bills. Other lenders

are following suit. Halifax assures me that this has nothing to do with politics. Its decision was taken a fortnight ago. I am sure that the market leader is telling the truth. Yet the plot thickens. Reports from the Glascory conference gueraset that gow conference suggest that several delegates wonder whether Mr MacGregor's speech contained an implied bargain: you play ball on the mortgage rate and we will see what we can do about clause 50 of the Finance Bill, which prevents a number of societies from reclaiming double taxation paid in 1985 and 1986. Mr MacGregor will, of

Joe Rogaly

The mortgage factor

course, deny any such intent. Fair enough. British politics is rarely as blatantly corrupt as that, although more subtle deals are not unheard of. Let us simply watch what hap-pens to clause 50; we may see how subtle desperate politicians can be. But do not expect too much. A government that missed the opportunity to make a few behind-the scenes phone calls to the chief executives of the opted-out hospitals to tell them not to rock the boat could be incapable of simple

could be incapable of simple skullduggery.

My own doubts are not to do with such corruption as may or may not be in the air, but rather the unfortunate timing of it all. The uncanny fit between the mortgage rate and the level of support for the Conservative party was illustrated in a graph in this column in September 1989.

The promise of a boost to voters' cash fits with an October election

Since then many similar graphs have appeared all over the place. But does the corre-lation hold? Yes and no. There seems to have been a small wobble over the past month or so, but the general relationship persists.

The important question mark hangs over the effect on election timing of the increasingly popular yearly budget plans. At the end of every January Halifax calculates a rate that will apply for the following payment year, which in its books starts at the beginning of April Last year that rate was 14.5 per cent. It held thronghout 1990-91, even though the variable rate, paid by Halifax's 500,000 borrowers not on bud-get plan, stood at 15.4 per cent between March 1 and November 1. The effect was that the 1.2m budget plan payers accumulated extra deht during those seven months. If they stay on budget plan this year they will still pay

ers are already two cuts down, to 12.95 per cent. Thus budget plan payers are paying "too much" this year, so the 1990 debt will be wiped out. What Halifax is now offering is a choice: go over to flexible payments but first repay the excess debt accrued last year or come down to the flexible rate just for this year but understand that you will owe more, and pay more interest, from next April 1. This offer will not be promoted to mortgage holders but merely available to them. After all, the Halifax is not Conservative Central Office. Yet the promise of a short

vet the promise of a short boost to voters' cash flow fits in with an October election. Taking the money back in April does little for a May 1992 election, unless overall rates are much lower by next January 31 - when the 1992 budget plan rate is to be fixed. l am sure that the Tories have mastered this calendar, and not only as it applies to the Halifax but to all mort gage lenders. Mastery is diffi-

cult. Every society is different. The Council of Mort-gage Lenders estimates that 40 per cent of borrowers are on some form of annual review; these are available et eight of the 13 largest build-ing societies and three of the big four clearing banks. Their review dates vary, but a Jann-ary cut in interest rates should catch most of them in time for a spring vote. In the good old deys the government might have been

government might have been tempted to arrange such a cut, and thus buy the election. But this year it was hoxed-in by the exchange rate mechanism. It had to tip-toe past January with a series of hesitantly-timed half-point reductions in base rate. The Treasury can no longer remining to retes in concern manipulate rates in concordance with the complicated mechanics of the housing finance market. To the Conservatives' chagrin that mar-ket itself now seems anarchic. This is doubtless a result of some government or other deregulating financial services. Perhaps Mr Major and his team will reflect on that as they finally gear themselves up to engage with the well-trained forces of the Labour opposition in what charged summer campaign.

New neighbours for St Paul's

Colin Amery previews an exhibition of ideas for a classical re-design of Paternoster Square



tects selected to design build-ings. The other architects are Robert Adam, Paul Gibson, Allan Greenberg, Demetri Por-phyrios and Quinlan Terry. With this roll call of names it is no surprise that the design of the scheme is classical in

of the scheme is classical in spirit. But any developer building on this important site as an immediate neighbour to the Wren cathedral faces more than a stylistic dilemma. Any building is restricted by "St Paul'a heights" (a complex series of regulations rather belatedly devised to protect views of St Paul'a). There are also rules about what can hapalso rules about what can hanpen below ground to protect the stability of the cathedral, and rules about conservation

same in that period, instead of contracting more than 11 per

cent, in spite of having grown, in constant (Japanese) prices,

by 5.6 per cent. To comply with tha theory, moreover, Japan's domestic inflation rate should

have been about 21 per cent, far above the actual rate. In fact, estimating at PPP would have been a rather idle exer-

cise if the predictions of the theory were correct. One has to conclude that, in

real life, prices, even of trada-bles, do not move in proportion

to the nominal exchange rate, i.e. that the "law of one price"

is usually transgressed beyond recognition, although certainly

there is a loose association

constant of non-tradable

Economia Aplicada, Monte Pelvoux 111-301,

Lamas de Chapultepec,

Criticisms of Takeover Panel not contradicted

Sir, Mr David Calcuit, chairman of the Takeover Panel, takes issue (Letters, May 15) with my suggestions about the lack

ported by his demonstration representation as of right

that those procedures are con-

panel's mambership.
Third, while alleging that I am "confused" about the lack

of inter pares hearings before the panel, he admits that the

panel's executive (to which I was obviously referring) "does not normally find it helpful to hear arguments from

both sides at the same time". It is difficult to understand why the full panel (on appeal from the executive's decision) does

find it "helpful" to hold inter pures hearings. The right to appeal should not excuse the

lack of a fair hearing in the

first place. Finally, exclusion of legal

areas and the relationship to a listed building. What has been lacking in the City of London during the development of the Paternoster scheme has been any sense of a plan for the whole of the vital area around St Paul's. The consortium wants some 837,000 sq ft of offices and some 150,000 sq ft of shops to make the economics of the scheme work. This means a very high density as there are considerable constraints above and below ground. These realities make Paternoster a very hard nut to crack. In an ideal world people would live around the cathedral; there would be hotels and bookshops, galleries and museums. The reality is

different and - when you have to pay to go into the cathedral - offices and a shopping cen-

tre are inevitable.

The architects' problem has n how to make the inevitable development formula more attractive and more architecattractive and more architec-turally appropriate. The key to their success is the plan. John Simpson prepared the original proposals as a rival to an ear-lier developer's unsuccessful competition. His plan formed the starting point for what can be seen in the exhibition. The essential principles remain. Paternoster Row and Paternoster Square and other

Paternoster Square and other routes have been reinstated for the pedestrian at ground level. The proper alignment of the

Explaining part, but not Praise for BAe collaboration all of the evidence

From Mr Vladimir Brailovsky. Sir, in an article by Edward Balls ("International Economic Indicators", May 13), an argument is put forward to explain why in the more "efficient" economies of Japan and Germany the ratio between gross domestic product at the current exchange rate and GDP at purchasing power parity (PPP) is higher than in less-advanced is higher than in less-advanced countries, such as the US and the UK. This is besed on two assumptions: I. "The prices of tradable goods are brought into rough equality by global competition", is: the so-called "law of one price" operating at an international level, when measuring in a common curmeasuring in a common currency; 2. The higher "real exchange rate"; which the author defines as "the relative price of non-tradable goods in terms of tradable goods", in

the more efficient economies.
Since "efficiency" does not vary much in the short-run, therefore the "real exchange rate", as defined by Mr Balls, would also remain relatively constant. Thus, everything else equal, all domestic prices in local currency - tradables or non-tradables - should move in exact proportion, given a reasonable time lag, to the nominal exchange rate.

But if this were the case, why is it that "large fluctua-tions in exchange rates can-give a misleading picture of changes in economic fortunes", as the author exemplifies by the 21 per cent depreciation of

some procedural inadequacies of the panel ("Self-regulation under threat", May 9). Yet his

reply seems to support rather than contradict my points. First, he denies that the

panel's composition gives the appearance of blas. Yet he supports that suggestion by pointing out that only three of its 15 members (excluding the chairman) are industrialists.

Second, he disagrees with

me that the panel's consulta-tive procedures are minimal.

That suggestion, too, is sup-

From Prof J L Joseell.

From Mr S A Moore. Professor Roland Smith's com-ments ("Research skills rare in north", May 21) to the NEDC concerning the lack of research the Ycn against the Ecu hetween 1969 and 1990. Accord-ing to his theory, Japan's GDP in Ecu terms should have remained approximately the collaboration between British Aerospace and the University of Manchester. On the contrary, the range of our collabo-ration, through our depart-ment of engineering, could hardly be more fruitful.

A £4m wind tunnel is now operating in the department's aeronautical research laboratories, thanks to BAe's generosity. Research contracts in aeronautical and dynamics

engineering to the tune of film are currently being funded by BAe. BAe supports research in materials science here at the rate of about £100,000 a year. We run in-house courses for BAe staff, have staff and student exchanges, and are a main supplier of graduate engi-neers to BAe (39 in 1991).

These are just some examples of our working together. I and my professorial colleagues are delighted that BAs is so closely linked with the university. Long may it continue. S A Moore,

Curious conclusion on core skills

Sir, in his article, "Bottom of the class" (May 21), about Britain's poor record on educa-tion and training for 18- to 19-year-olds, Andrew Adonis takes issue with Labour's list of "core skills" and says that they are of "dnhions value in constructing a

there is a loose association between prices and the exchange rate. Similarly, the price ratio of non-tradables vs tradables is, in fact, among other things, a function of the exchange rate, through its effect on the real wage rate (the nominal wage divided by the domestic demand deflator), and not only of "efficiency". This is so given the large wage constant of non-tradables. common curriculum for post-16".

This conclusion is curious. Our list of core skills was in fact drawn directly from the Confederation of British Industrial Confederation Industrial Confederatio try's own 16-19 proposals. They include "values and integrity", "positive attitudes to change", and "understanding of the world of work", as well as the Economics is still plagued by Ptolemaic laws that explain part of the evidence but not all. Vladimir Brailovsky, application of numeracy and technology and problem solv-ing. We agree with the CBI that these are crucial skills for the Zist century. The case for such skills was underpinned by

before the panel is justified on the basis that it would lead to

By what authority does Mr Calcutt, a barrister himself,

imply that his co-practitioners

are apparently incapable of

grasping the rather basic fact that the panel follows the pur-pose rather than the letter of its code?

LETTERS may be suited on 071-573 5856.
They should be clearly typed and not hand-witten. Please set fax mechine for line recolution.

Jeffrey Jowell, Faculty of Lans, University of London, Bentham House, Endsleigh Gardens, WCI

Fax service

delay and "legalism".

the recent report of the govern-ment's own Advisory Council on Science and Technology which said of A-levels that on learning facts at the expense of understanding fun-

expense of understanding fun-damental scientific principles and the development of scien-tific skills", and that "they reduce the scope for arts students to be scientifically educated and for eclence students to develop which com-munication and other presental munication and other personal Labour's proposals for an integrated 16-19 examination meet the overwhelming consensus for reform. It is sad that by its obsession with unre-formed A-levels the government's do not. Jack Straw MP, House of Commons London

SWIA OAA

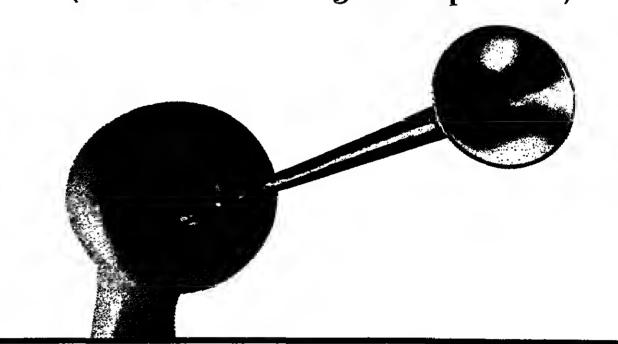
Customers first

From Mr Peter McKenna.

Sir, In its commants on water companies, Lex (May 18) sees only two routes for their surplus funds - back to the owners or Into diversification by way of acquisition. The millions of tied customers of such monopoly suppliers might think that they are worthy beneficiaries, especially as they provided the money in the first place. This is particularly the case when they are subject to an inflation-plus price increase policy, currently +14.2 per cent for Thames, and author-ised for the next 10 years. Peter McKenna, Tithe Barn Cottage,

Mercury customers profit by saving £50 million on their phone bills.

(Now that is something to trumpet about).



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FINANCIAL TIMES

Friday May 24 1991



EASTERN EUROPE

Fiat in deal with Soviet car maker

French 'superministry' is short on detail

By Halg Simonian in Milan and Kevin Done in London

FIAT, the Italian automotivs and industrial group, has reached preliminary agreement being forced by financial difficulties to delay work on its ambitious project to build a reached preliminary agreement with the Soviet Union to take a 30 per cent stake in Volskij Automobilnij Zavod (VAZ), the producer of Lada vehicles and the country's biggest car

A memorandum of agreenent, which envisages the production of 300,000 cars a year of a new model at VAZ's Togliatti plant, on Volga river, was signed in Moscow in late April, but only made public yesterday. The move is part of the eventual privatisation of

By William Dawkins in Paria

competitors are breathing a sigh of relief at the emerging evidence that the new French government is not about to

revive industrial intervention, despite the shift to the left marked by the arrival of Mrs

Edith Cresson as prime minis-

was Mrs Cresson's creation of a new "superministry", embracing finance, industry, telecommunications and for-

eign trade, her only significant innovation since taking office. The suspicion was that the new body would behave like an enlarged vsrsion of Japan's Ministry of International Trade

and Industry, carrying out a firm industrial policy in line with Mrs Cresson's crusading

Yet Mrs Cresson has been

unable to wring much hard detail from her industry policy. She has merely called for more public spending on indus-try – an objective limited by

er commitment to continus

her commitment to continus
the former government's budgetary rigour – and promised
to doubls the number of engineers in France and to push for
a law to ensure small husinesses get paid faster.
The general need for a firm
national and European industrial policy was the keynote of
her maiden speech to parliament as prime minister, the

ment as prime minister, the thin content of which was greeted with disappointment from all political sides, and cruelly described by one for-mer Gaullist minister yester-

One initial cause for alarm

industrial

However, the Soviet Union is

FRANCE'S

plant producing 900,000 cars a year at Yslabuga, 1,000km south-east of Moscow. This project is also part of its indus-trial partnership with Fiat. In a significant change in Soviet automotive strategy, Moscow is planning to transfer the first phase of the Yelabuga

project to VAZ's Togliatti Fiat's projects with the Soviet Union are among the most far-reaching undertaken by any western car makers in eastern Europe.

No details have been given

day as "both flat and hollow".

Far from being Mrs Cres-

son's new weapon, the new superministry was the result of last-minnte horsstrading, to obtain the loyalty of Mr Pierre Bérégovoy, the finance minis-

ter, whose continued firm man-agement of the French econ-omy was seen as indispensable

to the new government's

Mrs Cresson had at first wanted to boost the powers of the old Industry Ministry by giving it control over part of the treasury, but Mr Béregovoy managed spectacularly to

reverse this attempt to nibble

away at his already formidable empire. So the economically

empire. So the economically liberal instincts of Mr Bérégovoy, now the most powerful finance minister in France's recent history, will set the tone for French industry policy, rather than Mrs Cresson.

This means hardly any characters form the means hardly any

change from the pragmatism of the old industry minister, the politically independent former head of the Saint Gobain glass

group, Mr Roger Fauroux. The new organisation is a fair

reflection of the dwindling influence of the old industry ministry, whose freedom to pump new capital into France's huge state sector was being increasingly curbed by Mr Bér-

egovoy. It also marks an increase in

the Finance Ministry's power over France Telecom – always

sensitive over having its rich

cash balances raided – only months after it was made inde-pendent from the old telecom-

about the size of the new investment at VAZ, nor about management control. Fiat said only that it would be "engaged" in the management and development of the com-

pany.
On the Yelabuga plan, Fiat said yesterday: "The project is suspended, hut not dead." There would be a "pause for thought", but agreement on the one scheme did not annul the other

the other. Launched in November 1989 as a scheme to produce 300,000 cars based around a newly designed Flat Uno-type model, the project was expanded in March 1990 to include a further

300,000 cars a year based on the smaller Flat Panda. Infrastructure work for the Yelabuga plant, which was due to start production between late 1993 and early 1994, has already started. However, Fiat said the group had not yet been involved in spending for

the product. VAZ is the main car producer in the Soviet Union, accounting for some 750,000 of the country'a 1.2m annual output of motor vehicles. It employs 95,000 workers, with s further 25,000 engaged indi-rectly in the components industry. Around 45 per cent of its cars are exported.

By Nancy Dunne

ican Free Trade Agreement with Mexico and Canada.

With the help of the Democratic leadership and most of the House Republicans the administration defeated a resolution which would have denied President George Bush a two-year extension of "fast-track" trade negotiating anthority. This anthority ensures that legislation implementing trade agreements would not be subject to congressional amendments.

The administration argued that without an extension of incomplete review of the industry. It is further in shareholders' interests that almost 19,000 staff should be got rid of to help produce a 25 per cent return on capital. For every 10,000 workers it lays off, BT can finance a 5 per cent wage increase, so wage costs will be flat or falling for several years yet. Since much of this year's profits growth came from cost

by Congressman Byron Dor-gan, a North Dakota Demogan, a North Dakota Demo-crat, argued that denying the president the fast-track would allow strict congressional supervision of the negotiations and prevent the loss of jobs to Mexico. The resolution was

Indiana Democrat, said Nafta would mean a radical restruct-uring of the US and Mexican economies. He and other mem-bers had hoped to amend the resolution to force the administration to bring Congress a review on March 1 of the state of the Nafta negotiations.

grounds that public discussion of the negotiations would give away the Trade Representative'a negotiating strategy. Congressman Ron Wyden an Oregon Democrat, warned the administration that "pro-

traders" like himself would not "jump ship today," but unless environmental concerns and job issues are addressed in the final Nafta pact, "we're going to lead the mutiny ahead."

Tetra Pak bid cleared

Continued from Page 1 Commission for its fast work. The deal will almost double Tetra Pak's annual revenues. of which just under half would come from the European Com-munity. Brussels was concerned that

the merger would give the enlarged company the capacity to provide both food processing and packaging machines, squeezing out competitors which could supply only one-half of the production line. No formal undertakings have been made by the two companies. But the Commission seems to have been succuraged by promises that Alfa-Laval and Tetra Pak will continue to build machines compatible with rival models, and by EC dairies' comparative lack of concern about the

impact of the merger.
The EC's merger-control task force, which began work last September, has now completed, in effect, three full inquiries and is beginning to stamp its mark on the job, despite strong internal pressures to use decisions to shape European industrial arbitrary.

trial policy.
Soms senior Commission officials apparently wanted this week's Flat battery merger to go through without condi-tions, in the hope this would produce a strong "Euro-champion" in the battery market.

Bush beats move to block talks on Uruguay Round

in Washington

THE Bush administration yesterday narrowly beat off an attempt in the US House of Representatives to deny the president the anthority he needs to continue negotiations in the Uraguay Round and to launch talks for a North Amer-ican Free Trade Agreement

that without an extension of the fast track the Uruguay Round would collapse and Mexico would refuse to negoti-

contain

ment, this may be just

Yesterday's 3 per cent rise in the shares suggests the market takes a relaxed view of the

political pressures on BT. Its longer perspective ought to be less sanguine. BT's problem is

to increase earnings against a background of growth in the

background of growth in the volume of calls depressed by recession. By the time the economy and call volumes recover, Mercury should have increased its market share. In addition, BT's return on capital is likely to be forced towards that of other utilities. In itself, that would have knocked, and the safe that would have knocked.

nearly £1bn off last year's operating profits. With the yield on the shares at a premium to the market for the first time in five years, much is being taken on

UK trade figures

At least there is one statistic which gets better as the UK

economy gets worse. April's visible trade deficit, excluding oil and erratics, was the lowest since 1985 and the best result in relation to GDP for almost

10 years. It may be too early to alter assumptions for 1991 as a whols, .. especially in the

absence of a reliable first quar-ter estimate for invisibles. But it could be that the Treasury's

forecast for a £6bn current account deficit will turn out

Mexico would refuse to negotiate a free trade agreement.

The Senate today is expected to vote on — and defeat — a similar resolution.

Approval of the fast-track is expected to inject new life into the Uruguay Round negotiations which have been languishing in Geneva.

Supporters of the disapproval resolution, introduced by Congressman Byron Dor-

supported by labour, consumer and environmental organisa-tions. It was opposed by busi-ness and industry groups. Controversy over a free trade pact with Mexico has

had the Congress in an uproar. While most members have little concern about the Urugnay Round, they fear the Nafta would result in a loss of manufacturing jobs to Mexico.

Mr Frank McCloskey, an Union Development wild Nefts

too gloomy.

The market, of course, has other things on its mind, not The Democratic leadership and the administration rejected that demand on the

base rates will he cut this morning. The shadow of the trade figures will no doubt return sooner or later; but on

The embarrassment of BT's riches

Poor old BT. During a nasty recession, the UK's largest quoted company produces more than ESim pre-tax profit dentity in pre-tax profit. Hong Kong FT-A Index relative to the FT-A World Index (n loss) as despite improving the quality of its service. Its reward is a torrent of abuse alleging the systematic exploitation of its 100 100 90 80 customers. Such heady profitcustomers. Such heady profit-ability is not really its fault it was, after all, the govern-ment's decision to thrust it into the private sector with its monopoly largely intact. Nor can BT be blamed for taking advantage of the limp regulatory regime created by its main shareholder after an incomplete region of the indus-

the evidence of yesterday's fig-ures, it is likely to be later. Import volume fell back in April after March's unexpect-edly aharp surge, though looking at the latest three months the weaker trend in imports is probably coming to an end

1987 88 89 90 91

But the really big surprise is that exports are holding up so well, particularly to the countries of the European Community. Margins are clearly bearing the brunt. However, the overall picture supports the claim that sterling is not neces-

sarily uncompetitive within the ERM.

The outlook becomes much cloudier in 1992, the key being the rate of recovery in consumer spending. But with a strenger deliver believe trade. stronger dollar helping trade with the US, a rebound in the deficit is probably one of the few economic embarrasaments Mr Major will not have to cope with before the next election.

Hong Kong

There is nothing Hong Kong investors seem to enjoy more than a good panie. The 4 per cent slide in the Hang Seng index over the past three days may yet turn out to be a storm in a Chinese trader's teacup. The deadlock in the Sinort negotiations is series. ish airport negotiations is serious but not a real surprise. investors have long been aware that China wants to call the shots.

the shots.

The market was ripe anyway for at least a pause in the upward trend which has brought the Hang Seng within a hair's breadth of its 1987 high. Also weighing on sentiment is the US threat to withdraw trade concessions. That round hit Hong China. That would hit Hong Kong's entrepot trade hard and undermine whole sectors, like the toy industry, which rely on low-wage manufacturing in Southern China. But the risk here too can be easily overAs for the market fundamentals, real interest rates are strongly negative and monetary conditions cannot be tightened without isopardising the local currency link to the US dollar. High liquidity ought to sustain the all-maportant property sector a little longer, while also making this week's HK\$5.6bm (£415m) Hopewell rights issue digastible despite its size. That should underpin share prices, though political worries will ensure the trend remains erratte: in short, a remains erratic: in short, a market for traders rather than

UK brewers

Now that Whitbread has rounded off the reporting season for the big UK brewers, a strikingly consistent pattern of performance is emerging within the industry. The best starting point for compension is four years ago, when it first became clear that the competition authorities were a senious threat to the industry's structhreat to the industry's struc-

Since then, Bass has in broad terms increased its cum-ings by 40 per cent. Whithead by 80 per cent and Guinness by by 80 per cent and Guinness by 190 per cent. The pattern is home out in share price perfor-mence and earnings multiples: Bass at the bottom, Guinness at the top and Whitbread some-where in the middle.

where in the middle.

It cannot be accidental that the same pattern is reproduced in heer production, only in reverse. Among the UK's big five hrewers Bass is the biggest, Guinness until lately the smallest. It has just been supplanted in that respect by Grand Metropolitan, the sec.

planted in that respect by Grand Metropolitan, the second heat performer among the five, which has got out of brewing altogether. Large-scale beer production, it seems, has become a mug's game.

In Whitbread's case, it may not be quite that simple. There has lately been a detectable change in the company's emphasis on larger back to real ales. There is no real evidence yet of a reversal in the UK public's taste, though yesterday's 18 per cent jump in annual earnings from the local London ale brewer Young & Co is worth bearing in mind. But is worth bearing in mind. But Whitbread's recent strategy has been to promote the ales of the regional brewers in its puls and then, as in the case of Devenish this week, take on the brewing as well to fill up its surplus capacity. Whit-bread's shares are on 10 times carnings, assuming only a modest improvement this year. Conceivably, that could be on the cheap side.

reasi

US missile secrets exported

Continued from Page 1 and receipts show that the equipment - which was shipped without licences - was restricted US technology that would normally require a

Under US law, unless there is an explicit Presidential "finding" that approves a covert operation on national security grounds, the CIA is obliged to report any illegal activities it discovers. Such presidential findings are classified and require notification of the chairmen of congressional intelligence committees.

A senior member of the US Congress who chaired an intelligence committee when some of the key missile technology shipments occurred has said that he never received such a notification from the CIA and was never informed of any

shipments to South Africa. US officials say that the various ISC shipments violated several US laws including: • the separate US embargoes on the export of militarily useful technology to either South Africa or Chile; the Export Administration

Act which requires licences from the Commerce Depart-• the Arms Export Control Act which requires State

Department approval for exports of items on its munitions list.
The claim by US officials that the CIA was aware of the illegal shipments injects a potentially embarrassing issue into President George Bush's nomination of Mr Robert

Gates as the new director of

the CIA. Mr Gates - now deputy national security adviser to President Bush - served as dep-nty director of intelligence and deputy CIA director during the period in which the illegal

President Bush attacks Israeli policy over new settlements

munications ministry.

That said, Mrs Cresson will have some influence on indus-try policy both as prime minis-ter and through Mr Dominique

Strauss-Kahn, the new junior industry minister under Mr Bérégovoy. She chose Mr Strauss-Kahn, who though only 42 is no lightweight as former chairman of the parlia-

Edith Cresson: seeks more public spending on industry

By Hugh Carnegy in Jerusalem and Our Foreign Staff

PRESIDENT George Bush yesterday added his voice to criticism of Israeli settlements in the occupied territories, declaring that they did not "enhance the prospects for

"I have appealed to Israel

not to move forward with more settlements," Mr Bush told reporters on the White House lawn. "The settlements (Issue) has been and will continue to be a difficult problem with us."

Mr Bush, however, used somewhat milder language in criticising Israel than Mr James Baker, his secretary of state, did on Wednesday to a House of Representatives subcommittee. Mr Bush also said the US was not putting pres-sure on the Israelis, something

which most Arabs regard as vital if Israel is to be brought to the negotiating table.
"I can understand the secre-

ray's concern, and perhaps frustration." Mr Bush said.
"However, Israel is moving, in some ways thet I will not discuss with you, and so I have no reason to be totally pessimis-

In Israel yesterday, Mr Baker's criticism of accelerated Jewish settlement in the territories was echoed by Mr Shi-mon Peres, the leader of the opposition Labour Party, but

rejected by the government of Mr Yitzhak Shamir, Mr Peres, who has bitterly attacked Mr Shamir for not doing more to aid Mr Baker's efforts to convene a Middle

building settlements in the West Bank and Gaza Strip should be suspended, as Wash-ington has called for. "I clearly see the damage they cause," he told Israel Radio.

East peace conference, said

ment's economics commission,

specifically to be her voice on the government's economics team, say political observers.
There will be internal battles

ahead on some of the hotter aspects of industry policy, like the arrival of NEC, the Japa-

nese electronics company, as a shareholder in Bull, the ailing

told Israel Radio.

Mr Baker called the settlements the biggest obstacle he faced in trying to persuade Arab states and the Palestinians to negotiate with Israel.

Mr Shamir has said the settlements would eventually be the subject of negotiations. But at the same time he has supported a surge of new settlement huilding by Mr Arlel Sharon, the housing minister, who openly declares that the settlements are designed to block ments are designed to block any chance of handing back the territories to Arab rule.

Bank of England operations fuel speculation on rate cuts

By Peter Norman and Rachel Johnson in London

BANK of England monsy market operations yesterday fuelled speculation that the UK government may be planning to cut bank base rates today to give the economy an added

Hopes of a rate cut to 11.5 per cent from the current 12 per cent were reflected in an easing in the three-month interbank money market rate to around 11% per cent last night from 11% per cent. It also followed April trade figures that added to signs that the economy had registered no improvement since the first

Market speculation about an imminent rate cut intensified after the Bank broke with recent practice - by lending overnight to the discount

houses instead of insisting on lending until the beginning of next week. Today, when £1.425bn (\$2.45bn) of Bank of England loans to the discount houses mature, had already been tipped as a possible date

for monetary easing.
While some recent economic indicators, including this week's first-quarter gross domestic product figures, lend support to the government's belief that recovery should set in around mid-year, anecdotal evidence has soggested little revival of activity in April. Political pressure for lower interest rates has grown amid calculations that the Bank

could approve a modest half-

point rate reduction without compromising its belief in the

need to maintain a tight mone-

tary policy to combat inflation.
Britain's current account
deficit steadied in April at
£339m, almost unchanged from
£336m in March. April's visible
trade deficit was also virtually unchanged st £839m against £836m in March. Exports and imports in April were both unchanged in value terms, at £8.5bn and £9.3bn respectively. The figures from the Central Statistical Office (CSO) drew a mixed interpretation. The defi-cit on visible trade, excluding oil and erratic items, narrowed to £845m in April from £1.1bn in March, pointing to s mar-ginal improvement in the

halting.

Trade fears, Page 8

underlying position. The CSO concluded that the previous trend of falling imports was



"Frankly, Thompson, it troubles me that the man leading our search for European acquisitions thought he'd ordered the whitebait."

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The Spanish spring a surprise ERE'S a turn up for the book. Over a decade of making periodic confined not just to a mere dozen of the 17 countries, but to only three of the nine or 10 directors' jobs which in most cases the study spans. Anyone wanting the full report, priced at 30,000 Belgian francs, should contact Particia Van Bergen of the study spans. the Jobs column has become accustomed to viewing the Swiss as the executive fat cats of Europe. Indeed, as each annual survey has come round, my only curiosity

when working out the country-by-country ranking has been to see who'd be second. But in roll the latest findings of the Brussels arm of the Wyatt consultancy, and what do we find? In terms of the translation of the working the second businesses are philipsels. and what do we find? In terms of estimated buying power — which is surely what counts most — the Swiss have fallen not one, but two places on average. The Luxembourgeois come second. And pride of place goes to the Spanish, who have had a socialist government since 1982.

Before building any conclusions on that, however, it is important to be aware of the limitations of the supremy and care.

of the limitations of the survey, and even more so of the deficiencies of my extracts from it which appear in the table over there to the right.

For one thing, while the findings are

based on data from 1,249 organisations in 17 European countries, Wyatt's study does not measure up to the statistical rules for being representative. So it would be wrong to regard the pay-levels of the companies which took part as typical of those across all employers in the same lands. For another thing, my extracts are

JOBS: How executive pay varies in Europe

should contact Patricia Van Bergen of the consultancy at 273 Avenue de Tervuren (Box 4), 1150 Brussels, Belgium; telephone (02) 771 99 10, fax (02) 762 37 43.

The trio covered by my figures are chief executives and directors of finance and administration, and of personnel. For each, the table gives basic salaries, total money pay including bonuses etc, and a rough measure of buying power.

It is calculated by taking the total cash pay, deducting the particular country's standard tax and social security charges for a person with the specified income who is married with two children, then

who is married with two children, then adjusting the resulting net pay in line with Wyatt's index of international price variances. Unfortunately, as it is evidently impossible to devise a consistent measure of housing costs across different countries. that important expense of life is left out

of account.

The table's left-hand three columns of figures refer to the lower-quartile executive who would be a quarter of the way up from the foot of a ranking of all in

the same kind of job and country. Next come the median manager mid-way in the ranking, and the upper-quartile one a quarter way down from the top. The standard everages are on the right. Where the countries appear in the table depends on the average buying power of all three kinds of executive taken together.

RECRUITMENT

Although that is a very approximate as well as complex measure, it is the best at present to hand — and, as may be seen, it puts the Spanish top of the heap.

One likely source of distortions is that there are marked variances in the sizes of the complexity welling up the different

the organisations making up the different countries survey samples. But my search for connections between company sizes and positions in the pay league has come

naught. Anyway, in the final analysis, the main Anyway, in the inal analysis, the main explanation for Spanish supremacy in the table must lie in Wyatt's living-costs index which puts Spain at 87 compared with the UR's 100, Luxembourg's 96, and Switzerland's 146. Alas, I've no way of judging the accuracy of those estimates.

For what it's worth, however, my FT colleges in Medicid have no difficulty in colleagues in Madrid have no difficulty in believing that Spanish top executive cats

now take Europe's cream. Michael Dixon

		FORE	R QUAR	TILE	M	EDIAN Ali		UPPE	R QUAR	NLE	AV	ERAGE Ali	
COUNTRY	JOB CATEGORY	Basic salary £	cash pay	Buying power £	Basic salary £	cash pay	Buying power £	Basic salary £	cash pay £	Buying power £	Basic salary C	cash pay £	Buying power £
SPAIN:	Chief executive Finance director Personnel director	57,113 40,947 38,139	64,024 43,553 39,810	45,626 34,542 32,031	69,901 51,198 48,472	79,940 55,383 52,662	53,293 40,741 39,345	87,112 65,830 60,890	107,882 71,577 66,973	68,201 49,363 46,958	75,043 54,643 50,905	88,021 59,986 55,024	57,669 43,438 40,477
LUXEMBOURG:	Chief executive Finance director Personnel director	55,784 38,025 38,473	60,929 41,029 42,423	41,899 31,627 32,701	72,349 46,025 46,788	82,689 50,755 50,589	53,403 37,009 36,888	84,349 59,817 59,851	100,714 63,187 65,079	61,897 43,441 44,064	71,071 50,390 48,747	81,079 54,091 53,809	52,363 38,878 38,675
SWITZERLAND:	Chief executive Finance director Personnel director	76,254 59,180 52,653	84,366 61,619 54,830	41,027 31,654 28,917	89,264 67,133 62,695	104,376 70,660 68,972	48,513 35,330 34,486	106,585 78,625 75,626	138,755 93,145 85,578	61,774 44,021 41,616	94,536 69,838 68,078	113,612 77,605 74,788	52,137 38,271 36,882
ITALY:	Chief executive Finance director Personnel director	57,939 40,621 38,673	65,373 43,778 41,699	40,531 28,456 27,104	72,983 52,811 48,399	83,991 54,256 51,171	50,395 34,181 32,236	99,067 65,626 55,280	112,965 71,479 61,228	66,649 43,602 37,961	78,519 55,733 48,498	92,485 59,610 51,769	55,491 36,958 32,614
GERMANY:	Chief executive Personnel director Finance director	66,369 47,034 42,807	79,004 49,552 46,233	42,583 28,869 27,337	82,171 53,654 53,863	95,138 58,023 56,979	48,810 33,300 32,701	104,538 66,403 63,014	130,019 70,731 68,705	62,183 39,363 38,236	87,111 56,976 55,532	107,403 62,233 59,672	53,234 35,175 34,246
FRANCE:	Chief executive Finance director Personnel director	56,418 38,609 34,309	67,960 40,095 36,575	43,859 27,702 25,602	72,138 46,385 46,184	82,238 51,018 47,802	50,091 33,857 32,158	87,564 55,916 56,288	110,510 61,753 61,009	58,269 40,420 39,933	73,455 47,995 46,237	91,480 52,117 49,749	54,056 34,587 33,015
UNITED KINGDOM:	Chief executive Finance director Personnel director	45,000 31,980 29,880	54,130 34,970 31,270	35,726 24,129 21,889	59,220 39,240 37,140	67,110 41,750 40,550	43,622 27,973 27,574	74,490 51,360 46,590	86,160 55,940 51,050	55,142 36,920 33,693	69,390 43,840 40,030	83,670 48,190 43,700	53,549 31,805 29,279
PORTUGAL	Chief executive Personnel director Finance director	22,649 18,008 19,986	25,090 19,511 20,995	24,704 20,112 21,318	33,045 25,098 25,511	36,534 26,922 28,513	34,848 26,507 27,636	47,152 33,980 31,264	51,521 36,048 32,883	46,765 34,384 31,366	36,303 26,632 26,609	40,440 27,864 28,262	37,952 27,436 27,393
NETHERLANDS:	Chief executive Finance director Personnel director	49,956 38,149 35,755	57,154 40,573 37,609	29,160 21,943 21,107	65,880 45,003 45,290	73,116 48,114 46,511	35,066 25,039 24,679	81,096 52,544 54,625	94,918 55,903 58,852	44,553 28,522 29,426	67,617 46,171 45,786	79,301 50,496 49.347	38,032 26,279 25,681
BELGIUM:	Chief executive Finance director Personnel director	54,607 37,052 36,575	58,543 39,391 38,221	26,510 19,324 19,832	68,934 46,011 44,413	75,685 49,782 47,872	32,131 23,012 22,581	86,768 56,879 58,444	102,445 61,606 62,050	41,558 27,316 27,513	72,655 48,382 48,590	84,018 52,219 52,054	34,875 24,139 24,063
RELAND:	Chief executive Personnel director Finance director	39,104 30,879 28,364	42,231 32,377 28,669	24,072 19,426 17,769	45,332 35,756 33,485	51,776 37,155 37,164	28,477 21,550 21,555	58,532 43,666 38,800	68,004 48,308 43,162	34,982 26.570 24,614	48,845 37,237 34,171	54,477 40,260 36,936	29,418 22,948 21,423
SWEDEN:	Chief executive Personnel director Finance director	45,452 34,783 31,934	47,725 35,226 32,892	19,713 15,316 14,539	58,317 41,812	65,265 44,375 41,812	26,011 18,650 17,573	86,504 54,778 46,543	102,865 57,714 52,117	39,506 23,420 21,149	68.675 44,913 40,441	76,739 47,044 43,290	30,029 19,431 18,194

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YORK

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Manchester 061-941 3818

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Division of UK plc

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Due to recent growth and a desire to restructure, the need has arisen to strengthen the management team by recruiting an executive chaluman who will be responsible for co-ordinating the existing executive team to further expand the already strong client and product base. The appointer will report directly to the Group Chief Executive of the holding company, and will liaise extensively with other senior executives within the group. There will be a need for a reasonable degree

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Northampton

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To ensure that the best credit standards and

To ensure that the best credit standards and practices are observed, the Society wishes to strengthen its credit control procedures by the creation of the new position of Head of Credit Control, reporting to the General Manager (Finance). Key tasks will be to assess all major commercial credit proposals, to review and, where necessary, improve credit control procedures and systems, to manage and develop a specialist Credit Risk Unit, and to monitor and control the procedures relating to smaller advances throughout the Group.

As the successful candidate you will be a highly-experienced qualified banker with at least 10 years

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be more attractive to a senior banker wishing to

be more attractive to a senior banker wishing to round off a banking career with a new challenge. If you have the experience and qualities sought and wish to be considered for this appointment please write – in confidence – enclosing a CV and details of current remuneration to Douglas Austin, Ref: 7205, MSL International (UK) Limited, 32, Aybrook Street, London WIM 3JL.



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Our client, a private investment company, is seeking to expand its investment teamby appointing two new people to run equity portfolios invested in UK, European and Far Eastern markets, where the emphasis will be on stock picking combined with the use of derivative instruments.

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Please contact Martin Symon, Senior Consultant Jonathan Wren & Co. Limited, Financial Recruitment Consultants No. 1 New 5treet, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

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exist within the firm for high

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Please write with c.v. to: The Manager, Merrill Lynch, Pierce, Fenner & Smith Limited, Time/Life Building. 153 New Bond Street, London W1 0RS.

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Please send curriculum vitae to G.P. Sloman, Assistant General Manager, ASLK-CGER House, 22 Eastcheap, LONDON EC3M 1EU

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SENIOR FUND MANAGER

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US rules may be tightened after thrifts' failures

By Pratap Chatterjee In Berkeley, California, and David Waller in London

THE ROLE that loose accounting rules played in the rise and fall of the US savings and loans, or thrift, industry, has been spelt out by Mr Richard Breeden, chairman of the US Securi-ties & Exchange Commission, The collapse of the industry is expected to cost US federal government insurers about \$500bn (£289bn).

Misuse of accounting standards played an extremely large and, in some ways, pivotal role in the reckless growth of the thrift industry, as well as in concealing the depth of its problems," Mr Breeden said.

"If misused, accounting principles can conceal insolvency from creditors, investors and regulators," he contin-ued. "In some cases... the accounting rules may facilitate fraud on investors. In other cases accounting principles may be used to justify post-poning treatment or resolution of problems in firms at the very time that they may be expanding through the use of publicly-guaranteed funds."

Mr Breeden, who was speaking last September to the US Senate's banking, housing and urban affairs com-mittee, theo described in chilling detail how accounting rules helped create an illusion of solvency and prosperity which was used to justify "not only expansion, but also dividends, enormous salaries, acquisitions and many other expenditures that drained cash from failing firms".

Since Mr Breeden made his speech, some large banks in the north-east of the 11S have collected, sedding to prosperity.

the US have collapsed, sdding to pres-sures for a radical overhaul of accounting in the banking sector. In February this year, the Financial Accounting Standards Board (FASB)

decided to study the possibility of allowing banks to set up separate reserves for loans in temporary difficulties. FASB is also working on standards which will require banks to account for debt securities at cost or market values, whichever is the lower, s system known as Locom. Similar standards are being considered for all other forms of financial

The central objective of regulators is not simply to eliminate some of the more extreme sccounting abuses found in the savings-and-loans industry. It is, to quote Mr Breeden, to help regulators, investors and other users of accounts "to make a much more meaningful assessment of the real economic value and risk exposures of a financial institution".

Under considerable pressure from the SEC, the US standard setters are formulating proposals which will require financial institutions to account for securities and investments at Locom. Stocks and bonds held for investment purposes are now valued at cost, irrespective of their value in the market.

According to the regulators, the change would make the accounts of financial institutions more meaning-ful than they are now — and elimi-nate "cherry picking". This is a form of accounting arbitrage, much prac-tised by savings-and-loans groups, where financial institutions take advantage of the accounting differances between trading and invest-ment portfolios to maximise profits

and mask losses.

The technique was simply to shuffle securities between the two different

types of accounts when their market valoes changed. "The continued use of historical cost accounting for investment securities has enabled institutions to 'manage' the timing of gains and losses," Mr Breeden said in his speech. "Gains trading, i.e. selling profitable positions and holding losing positions... had the effect of inflating the thrift's apparent short-term profitability whilst inevitashort-term profitability whilst inevita-bly leading to declines in future yields."

Banks are reluctant to identify bad loans because doing so can affect their income statements adversely

To remedy this, the accounting standards arm of the American Insti-tute of Certified Public Accountants has suggested that all debt securities will have to be accounted for at Locom unless it is possible to prove that the investment is being held to maturity.

There have been two principal objections to this. First, some institu-tions believe the rules will interfere with oormal investment decisions. forcing them to divest themselves of debt securities less likely to ahow short-term gains. Second, the institu-tions say the rules apply only to assets and not to liabilities. That objection may be met in the long term as FASB is already working on a proj-ect to set standards for all sorts of

financial instruments. In time, this is likely to tackle both sides of the bal-ance sheet - but not until Locom has become a formal requirement.

FASB is now working on defining the circumstances when loans can be described as "temporarily impaired". a oew classification which would cover those loans where original values have fallen because the debtor cannot service them fully. The regulators say this move will make it easier to assess the real financial health of an institution.

At present, if a bank declares a loan

bad, it must be written down fully against reservas. This discourages banks from declaring the true extent of their problems. According to Mr Paul Rohan, project manager at FASB, the board would probably allow banks to set up a special smaller reserve for impaired loans rather than having to write them off completely. Banks say that they would be less reloctant to identify bad loans if doing so did not have an adverse effect on their income state-

For example: a bank lends a developer \$100 for a property under an agreement by which the developer agreement by which the developer pays the bank \$16 a year for 10 years. Normally, the bank would take \$10 off the original principal and book \$6 as income, but because of the recession, the developer ends up paying only \$10 for a particular year.
Under present accounting stan-

dards, the bank is expected to categorise the loan as "non-accruing" and use all payments to pay off the princi-pal, so that none of the \$10 payment shows up in the income statement. solve this

Bankers want to change this by split-

parts - a performing loan and a tem-porarily non-performing loan. The advantage of this is that there would

be less of s blot on the bank's income

will be obliged to cut back their lend-ing and investing if they are hobbled

Indeed, some argue that conservative accounting militates against private-sector interest in buying what is left of the failed savings and loans institu-

For example, acquired intangibles do oot oow count towards the Bank of

international Settlements minimum capital requirements of 8 per cent of

assets. In other words, if a bank buys a \$100,000 credit card portfolio at a

premium - based oo its expected cashflow - oo matter how sound the

cashflow, it cannot include this pre-

mium as part of its 8 per cent mini-

mum capital.
The Resolution Trust Corporation.

the Resolution Trust corporation, the federal body that is required to salvage failed savings-and-loans institutions, says this deters banks which would otherwise buy savings-and-

FASB does have a project to look at measuring identifiable intangibles.

but it is not expecting to publish recommendations on this issue until

the end of the year.

The regulators and standards-

setters bope that the package of mea-sures will make it easier to spot the

next financial crisis at the earliest

possible time - not when it is already

very conservative accounting.



FINANCE DIRECTOR

Circa £42,000 + performance bonus + car

We need someone with outstanding financial management skills to help us fight homelessness. We are a major charitable housing association with one of the largest capital programmes in London tover £25 million) and managing homes worth more than £250 million. We have just emerged from a period of financial difficulties and need a Finance Director who can take charge of our complex financial operations. deliver effective financial services and make a major contribuoverall management of the organisation. You must be able to

- a successful financial management track record strong staff management skills

 experience of the capital market project evaluation skills

it you want to respond to this chattenge and would

Help us



Manicen McKeon Network floure 10-12 Neeld Parade Wembley Hill Road Maldy HA9 6QU D81-902 7050

For an informal docussion contact Detek Joseph of HACAS who is advising the Association on this appointment Network Housing Association is an Equal Opportunities employer Closing date: 12th June 1991

On Thursday 6 June 1991

The Financial Times will be publishing the Securities Industry Examinations results. For further information please contact Teresa Keane on 071 407 5634

ACCOUNTANCY APPOINTMENTS



reporting on found performance and profinability, and ensuring statutory ■ To contribute to business development, acquisition planning, resource illisation and the overall strategic plans for growth and diversification.

To design, negociate and manage the financing of major projects,

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tutional and commercial partners, with proven success in contract neg-

credibility. Seasoned traveller reliables challenge and variety in a decounding environment. ..

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First class opportunity to join newly formed management team of recently created £350m turnover business, part of major national service provider. Seasoned finance professional sought to make a vigorous contribution to achievement of stretching performance targets. Fascinating opportunity to influence the profitability and performance of thriving business in dominant market position.

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manage the business and effectively measure performance. ■ Lead, motivate and develop a team of 250 sraff.

THE QUALIFICATIONS

Qualified accountant with minimum 5 years post-qualification experience in a commercial/service led environment, with a record of achieving

Record of implementing MIS and rigorous financial disciplines and managing and motivating a large linance team.

Commercial and market-prientated focus. Able communicator with proven influencing skills and the ability to perform well both as a leader

Please reply, exclosing full details to: Selector Europe, Ref F2580511, 16 Connaught Place, London, W2 2ED

ASSISTANT TREASURER

City

Age 28-35

c£40,000 + Benefits

An opportunity has arisen within the treasury function of a worldwide financial services group, with a turnover currently in excess of £2.9 billion. The range and complexity of financial policy issues facing the group is greater than ever, and it is in this atmosphere of challenge and increasing diversity that the appointment of an Assistant Treasurer is being made.

Reporting to the Group Treasurer, the Assistant Treasurer will initially be responsible for:

- · monthly management reporting of Treasury transactions
- group cashflow and debt reporting management of the installation and development of Treasury
- Computer System liaison with controllers on accounting of finance subsidiaries
- review of all banking transactions. supervision and training of staff

The ultimate strategic objective will be to assist the Group Treasurer in the assessment of group wide capital requirements, dividend and debt capacity.

The successful applicant will be an accountant with 2-3 years post qualification experience, preferably within a Corporate Treasury environment. Excellent communication and inter-personal skills are a prerequisite.

This is an excellent opportunity for an ambitious accountant who would like to develop a career in the treasury field within a progressive, dynamic organisation. Remuneration will include a high basic salary and an executive car and other benefits.

Interested applicants should telephone Tony Barnes on 071 437 0464 (fax 071 437 0597) or write to him, enclosing a detailed CV to the address below.

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Assistant Financial Controller

Retail Operation

£neg. + tax free sum + exc. benefits Our client, a prestigious British International Company, has Our client, a prestigious British International Company, has the management agreement to manage a large trading/retail operation. It operates wholesale stores throughout the rural areas, large wholesale depots in the urban areas as well as supermarkets retailing tood and non-food items. Goods are both imported and sourced locally. The present Financial Controller, who reports to the M.D., now needs a No.2 who can take over from him in due

It is essential that condidates who are qualified Chartered or Management Accountants have had at least two years experience within a substantial retail operation. Some overseas experience would be ideal but not essential. The preferred age range is 28-35 but more important is the right

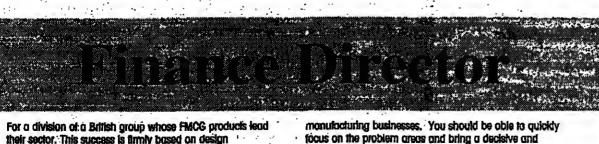
Terms and conditions of employment are excellent and take full account of the location and the expatriate nature of the

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Ravenscroft & Partners

EAST MIDLANDS

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their sector. This success is firmly based on design excellence, quality and service in some of the most competitive and price sensitive markets. Reporting to the Managing Director you will contribute to

strategic and operational decision making as part of a strong Divisional Board. Responsibilities will include. developing a finance team capable of delivering tight financial control and management. Rapid and effective reporting, cash flow and asset management will be angoing issues. The role is broadly commercial with some emphasis on costing, pricing and stock control.

A qualified accountant, your technical and management skills should be well proven in fast moving, volume

Innovative approach to solving them. The role is high profile with ample scope for reputation building.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to David Owens, Coopers & Lybrand Deloitie Executive Resourcing Ltd, 43 Temple Row, Birmingham B2 5JT, quoting reference D389.

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South East

Package c.£35,000

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Our client is one of the UK's outstanding providers of insurance and financial services. Its Corporate Audit function has gained the reputation of providing services to the highest standard throughout the Group - both in the UK and internationally.

An innovative Audit Professional, you will be a key player within this team providing strategic and operational review expertise at all management

Major responsibilities will include:

- providing independent systems evaluations and
- consultancy across the Group appraisal of computer applications, systems & controls under development - within an IBM 3090 environment
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Preferably a qualified accountant with substantial technical and investigative skills, you will be used to conducting multi-task audit projects, often to ught deadlines and possess strong communication skills. Career prospects are excellent, with the Corporate Audit Group being a regular springboard to senior

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This major UK-based, multiple-site retailer, a main division of a Top 100 company, possesses a portfolio of clearly positioned products addressing the distinct consumer needs of in excess of 4 million customers per week. It has a strong and continuing track record of substantial and profitable growth which has arisen from the development of its core business and a series of rapidly integrated acquisitions. As the Group is set for further development, it seeks to maintain the highest levels of expertise and professionalism within Finance and therefore wishes to attract three individuals of the highest calibre to add to the development of all levels of management information and decision making capability.

Finance Manager c. £35,000 + Car + Benefits Reporting directly to the Financial Controller, the Finance Manager will head a team responsible for producing financial and statistical data on business performance. You will supervise all munthly management reporting encompassing issues such as sales, cash flow, profitability of retail units within the Company and Taxation. You must possess a strong systems ability combined with a talent for highlighting issues which are

vital to senior executives throughout the organisation. This position will appeal to a qualified accountant, aged 25-30, with a minimum of two years' PQE gained within the reporting function of a major Plc. You will have a mature commercial approach and display the highest level of commitment in your career to date with a desire to form part of a highly motivated team. Reference MH839.

Assistant Finance Manager c. £23,000 + Car + Benefits Reporting to the Finance Manager, you will form part of a team addressing all monthly management reporting issues and as a result will be expected to have a strong working relationship with all members of Finance and other departments throughout the company. Contributing to the development of a highly sophisticated computerised system, you will also be responsible for managing day to day reporting issues within a transaction orientated husiness along with the handling of

This position is likely to attract a finalist CACA/CIMA or newly qualified accountant, aged 23-28, with at least two years' experience of a major Group. You must possess good commercial judgement combined with strong technical skills and have the ability to liaise at all levels of operational management. Reference MH840.

Business Development Accountant c.£35,000+Car+Benefits Reporting directly to the Financial Controller, the Business Development Accountant will form part of a team to strengthen forecasting, planning and analysis within Finance, developing the role into a function providing commercially orientated advice in relation to future business direction. You will have the ability to identify and develop systems-based solutions to provide superior levels of management information, allowing time to address commercial issues facing the Company.

The successful candidate will be a qualified accountant aged 25-30 with a strong academic background and a minimum of two years' PQE gained within a Blue Chip environment. Other essential attributes will include first class interpersonal skills, strong motivational qualities and a highly inquiring and analytical mind. Reference MH838.

The company is committed to offering career progression at the earliest opportunity and has a pro-active approach to staff development. Individuals who consistently perform well and strive for excellence can expect opportunities to arise within both this division and other group companies. To discuss these outstanding opportunities in greater depth, please contact Mark Rowley on 0483 303300 (daytime) or Michael Herst 081-502 1247 (evenings). Alternatively, write to them at the address below, enclosing a full curriculum vitae, quoting the appropriate reference number.

HARRISON # WILLIS

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

INVITE YOU TO A BUSINESS BREAKFAST

THE DEMOGRAPHIC REVOLUTION

The implications of a shrinking workforce for recruitment policy

> ON TUESDAY 18TH JUNE 1991 AT THE SAVOY HOTEL, STRAND, LONDON WC2 8.30AM TO 9.30AM

The talk will be given by Jane McLoughlin, former Business Editor and Woman's Editor of The Guardían and author of 'The Demographic Revolutinn' (Faber 1991).

By 1994 there will be 1.2 million fewer school leavers entering the workforce than in 1988.

The talk will address the Implications of this shortfall for employers and will cover:

- · Changes in Recruitment Policy and Standards.
- · Hnw the workplace and traditional work systems must
- · Implications for employers' spanding and investment.
- · How the demographic revulution will elter people's expectations from work. The effect upon Financial Institutions.

Jane McLoughlin has worked on the staff of the Daily Mirrox, Daily Telegraph, Daily Mail and Observer and was both Business Editor and Women's Editor of the Guardian. Nnw a freelance journalist and author, Jane is a regular contributor to the Financial Times and Evening Standard City Pages. Her bnoks include 'Asias's New Industrial Warld' (as co-author), 'Wamen and Employment' and most recently 'The Demographic Revolution'.

Please note that places at the breakfast are strictly limited If you wish to attend the Business Breakfast, please write to Rachelle Nelson at Robert Half, Freepost, Welter House, Bedford Street, 416 The Strand, London WC2R OBR. (Telephone: 071-836 3545).

Rahmen der weiteren erfolgreichen Expansion hat er ein neues Büro in Deutschland (Düsseldorf) eröffnet. Für diese einzigartige Herausforderung suchen wir für unseren Mandanten einen Mitarbeiter mit Erfahrung im

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ACCOUNTANT Fast growing company based in Central London requires dynamic accountant with a flexible attitude. Must be computer literate and have all-round experience. Salary commensurate with experience.

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Our client, based in NW London, is on international medium-sized plc with o very successful record of organic growth in this country and overseas.

The Group's skills in product design and morketing, coupled with strong and effective management, have ensured that its familiar branded consumer products are omong the market leaders in the UK and have an established presence in continental Europe and the USA.

The Group is now seeking a versatile Group Accounting Manager

to further strengthen its corporate Head Office and manage the increasing demands for information required by the Board.

Responsibilities will include the preparation and critical review of the Group's monthly management accounts, profit and working capital forecasts, and the Group budget; technical issues; policies and procedures; and support for cosh and currency management. In addition the Group Accounting Manager will be expected to contribute to the consolidation of the annual published statutory accounts. The position reports to the Group Finoncial Controller.

Applicants should be qualified accountants with excellent commercial experience gained either of the centre of a medium-sized Group or in a relevant operating company role. A hands-on flexible approach is required, together with sound personal organisation, and the ability to get results from a small team and from overseas finance staff. Strong technical occounting skills and experience of PC spreadsheets are essential.

Please op ply in confidence quoting Ref. L478 to:

Brian H Mason Mason & Nurse Associates I Lancaster Place, Strand London WC2E 7EB Tel: 071-240 7805

Mason & Nurso

Group Financial Controller

Milton Keynes

£negotiable

A high profile appointment working in the Group Headquarters of a leading electronics engineering company with interests in UK, Europe and the USA. The Group is highly successful and has experienced significant growth over the last 10

Responsibilities encompass management of the Group accounting function, liaison with Company Financial Managers, consolidated period management and financial accounts and budgets.

The ideal candidate will be young, fully qualified and with management and computer experience. They will respond to the challenges presented by a progressive, dynamic and growing organisation whilst producing results.

Senior Financial Accountant

Due to the continued growth of this Group, they are also looking to strengthen their existing Head Office accounts team by appointing a Senior Financial Accountant to undertake a variety of tasks. Excellent career prospects. Applicants should be young, dynamic and recently qualified.

Please write, enclosing your current CV stating your present salary to Lealie Simpson, Chamberlains Personnel Services Limited, Forest House, Sherwood Drive, Bletchley, Milton Keynes MK3 6ES, Telephone (0908) 366766.

CHAMBERLAINS

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Develop your future as you develop our financial monitoring systems

Bristol

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Head Office

reporting systems. Initially you will work closely with the ten regions and all the head affice departments that make up the NRA, to create and update reporting procedures, develop monitoring systems and assess information needs. As this is a rapidly changing environment, ad hoc projects will be many and varied. However, your key task will be the collation and interpretation of monthly management information. As a high-ranking member of the finance function, you will prepare reports and make presentations to senior managers. A qualified accountant, ideally educated to

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£25,000 to £28,000 + car + bonus experience of working in large organisations and highly developed commercial acumen. Superb interpersonal skills are essential, along

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with a working knowledge of spreadsheets. Prospects are excellent, both at head office and at regional offices throughout England and Wales. We offer a salary between £25,000 and \$28,000, depending on experience, plus a range of excellent benefits including a contributory lease car and performance bonus. Relocation

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A qualified occountant, you are likely to be aged in your early 30's with a proven track record as a thoroughly

commercial finance manager. Personal attributes must include a high order of communication and people management skills in addition to the energy, drive and enthusiasm to be accepted as a key player in the management team

Please send tull personal and career details, including doytime telephone number and current remuneration level, in considence to Chris Howorth, Coopers & Lybrand Deloitie Executive Resourcing Ltd. 76 Shoe Lane, London EC4A 3JB, quoting reference CH829 on both envelope



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INDUSTRY

is Britain's largest investment capital company - investing in businesses large and small, in the UK and internationally. Our portfolio totalled £2.3 billion at 31st March 1990 with investments in most sectors of industry and commerce, in over 4000 companies.

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The need is for a qualified Accountant, ideally aged early 40'a, who has experience of internal audit gained with a 'blue-chip' multinational company. Essential personal attributes are proven leadership skills, sound commercial judgement and the ability to act independently when necessary. A second European language would be an asset as our international network continues to grow.

The remuneration package of around £50,000p.a. reflects the importance we place on this position which is based at our office in Central London. A relocation package ia available if necessary.

Please write with a comprehensive CV to: Paula Bates, 3i plc, 91 Waterloo Road, London SE1 8XP. Tel: 071-928 3131 ext. 2772.



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sonal and communication skills are prerequisites for this position as you will be part of a small but strong management team with complete autonomy for running the business Your inherent commercial skills will be augmented by experience in MtS and in facilitating

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Candidates should apply, with full career and salary details, to R M Bruce, Mercuri Urval Ltd, 1-4 Portland Square, Bristol, BS2 8RR, quoting reference 179/91.

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An exceptional opportunity has arisen to join their small, widely experienced management team as Group Tax Manager. The role will encompas all aspects of UK and overseas compliance

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071-831 2000 (evenings/weekends on 081-785 6545) or write to him at Michael Page Taxation,

39-41 Parker Street, London WC2B 5LH.

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FINANCIAL ANALYST

West London

Leisure Industry

c.£28,000 + Car

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combined investment to date currently exceeds £1bn. To maintain its competitive edge and maximise profitability, the company seeks to appoint a qualified accountant to join its business planning division. You will be responsible for developing and improving the

business plans on an on-going basis, co-ordinate financial reports with the management reporting function and assist in developing periodic analytical reports for executives and Ideal candidates will have had significant exposure to PC

based systems, specifically Lotus 123. You will have had experience of developing in-depth spreadsheet applications using macros. A high level of professionalism will be expected of the

holder of this post as it involves exposure to both top management and external shareholders. The successful candidate will be newly or recently qualified

and be able to exercise initiative in working in this young and fast moving environment.

Interested candidates should contact Michelle Ser on 071-629 4463 (days) or 081-977 2951 (evenings/weekends), or send an appropriate curriculum vitae to the address below, quoting reference MEK251.

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FINANCIAL TIMES

The management of the Equiries Division of this leading investment bank has come to rely heavily upon its staff function, led for some years by a Chief of Staff who is now moving to a significant position within the bank's European group. As an essential member of the management team, the Chief of Staff manages the interface between the Division and its support groups, establishing procedures and priorities, controlling costs and monitoring the effectiveness of the services provided; perhaps even more importantly, the Divisional Director looks to the role for broad-based analysis and advice on every aspect of the operation and its business management. Ideal candidates will be comfortable in and around the Equities marketplace (although our need is for knowledge of, not detailed expertise in!) but above all they will be proven managers, with authoritative and influential strengths, and effective communicators (both orally and on paper). They will be expected to deal on equal terms with the senior professionals in the finance, IT, personnel and organisation departments. The job demands project management skills, a powerful intellect, top calibre inter-personal strength and the ability to prioritise a heavy workload. Management consultancy, probably at Managing Consultant level, could well be a relevant background, but that is Indicative more of the characteristics we need than of any in-built selection prejudice. The combination of excellent salary, bonus and finance sector benefits will attract candidates of the highest calibre. Please send full career details, quoting reference WE 1044, to Terry Ward, Ward Executive Limited, Academy House, 26-28 Sackville Street, London W1X 2QL, Tel: 071-439 4581.

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Please send a comprehensive résume, salary details and day time telephone number, quoting reference. 3208, to Neil Cameron, Touche Ross Executive Selection, 52/54 High Holborn, London WC1V 6RL. Telephone: 071-353 7361.

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MANAGEMENT ACCOUNTANT for GROWING P.R. BUSINESS

An established financial P.R. consultancy seeks an assistant to both the Financial Controller and the Chairman. An experienced accountant, the main role will be to manage and develop both a Lotus 123 management accounting system and an IBM System 36 accounts package. Must be computer literate, proficient in use of spreadsheets and preferably have experience of transferring manual systems onto computer.

A shirt-eleeves approach is as important as strong syst development skills. Package as appropriate.

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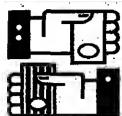
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INTERNATIONAL BANKING

SECTION III

Friday May 24 1991



The state of the state Mary

Banks collapsing in the US, recession in the UK, corporate failures in Australia, the stresses and

strains of a system under pressure it is hard to recall a time when so much seemed to be going wrong at once. David Lascelies, Banking Editor, analyses the upheaval

A bruised and battered look

THE news from the banking front has been so unremittingly bad in recent months that even hardened bankers in the north-east real estate market, and could be heading for similar heights in the UK. Although the Japanese econare having trouble keeping a sense of proportion.

Whether it be banks collaps-ing in the US, recession in the UK, corporate failures in Australia, or simply the stresses and strains of a system under pressure, it is hard to recall a time when so much seemed to

be going wrong at once.

Top banks like Barclays and the Industrial Bank of Japan, the world's largest, lost their triple-A credit ratings after reporting worsening results. In Germany, the big banks had to hold their dividends as east European loan losses are into profits. In the US, money centre banks like Citicorp and Chase Manhattan have been forced to make severe cuts to get their balance sheets back into shape. Even Japanese banks, only two years ago the most feared predators on the banking block, wear a subdued

The reasons are not hard to find. The Gulf war aggravated what were already very diffi-cult conditions for banks, par-ticularly in the English-speaking world. Loan losses in the US are at record levels, notably

omy has heen reasonably strong, the collapse of the stock market and the fragility of the property market have put heavy strain on hanks

Sut people have also been looking for more deep-rooted causes. Many have blamed over-strict rules which prevent banks from evolving with their markets, and force them instead to chase after ever riskier profits. This would explain bankers over-exposure to the property market, despite the ssons of history about its

finger at the burdensome capi-tal rules which international supervisors are trying to intro-duce. Although these are supposed to strengthen the banking system, they are also choking the banks' ability to

lend. But central hankers are resisting calls to ease the rules. Last week, Mr Robin Leigh-Pemberton, the governor of the Bank of England, said such action "would be a profound mistake". If banks were being more selective in their lending,



to prudence.
Despite all the doom and

gloom, however, there are chinks of light Stock markets around the world seem much more cheerful about the out-look. Bank shares have been on the rebound for much of this year, and many of them have soured to record highs. To an extent, this reflects the market's view that banks must have hit bottom even if they are not yet obviously on the rehound. One reason is that bankers themselves are plainly making fresh efforts to get their institutions back to health.

"We're going through a very important transition," says Mr John Reed, the chairman of Citicorp, the largest bank in the US. "We're aiming to change the culture of the

Mr Reed has embarked on a major programme of cost-cut-ting and capital raising after a dividend cut and two successive years in which loan loss rovisions exceeded \$2.5bn. Another reason is that the momics of the banking market have begun to show their first improvement in over a decade. The retreat of dozens of banks from the aggressive

lending tactics which they adopted in the heady 1980s has brought about a marked fall in competition. Banking margins are widening as a result, particularly over the last six

Analysts at Kleinwort Benson Securities, for example, calculate that an improvement of only 0.25 percentage points in margins would add £298m (\$515m) to the profits of Barclays Bank this year. This will be a lasting trend, predicts Mr Bruce Pattullo, the chief execu-tive of the Bank of Scotland, who moved smartly to make a £300m rights issue and position his bank to expand its market

A further reason is that regulators are attempting to refashion the rule book to make life more tolerable for banks, though their efforts are being hampered by slow-moving legislators and inability to agree among themselves. Mr Nicholas Brady, the US Treasury Secretary, presented his proposals to reform US

benking law in February with the words: "It's a bleak picture that demands action - prompt action - to correct it." If he succeeds, he will hring about the first major change in the US regulatory environment in over half a century. He wants to give banks greater freedom to engage in new activities like insurance and investment, and break down barriers between individual states.

individual states.

However, early indications are not encouraging. Congress may have neither the time nor the stamina for a mammoth banking hill, and may focus its efforts instead on the more simple but urgent task of rehuilding the decimeted deposit insurance system. This could also slow down similar reforms in Japan.

The implications of regula-tory inaction in Washington could be severe for US banks because the European Community, in the meantime, is pressahead with its plans for a single market, based on a lib-eral concept of what banks chould be allowed to do. Sir Leon Brittan, the com-

missioner responsible for financial services in Brussels, says he is confident that the main banking measures will all he in place hy the end-1992

A major question arising out of the upheavals of the recent past is the extent to which it will leave a lasting impact on the banking industry. The answer will not become clear

already new shapes are discernible.

The most significant may be a reversal of the trends of the 1960s which saw banks expand-ing internationally and branching out into new markets, particularly in the investment banking area.

The retrenchment that has been forced on hig banks by harder times has led to a marked retreat from location slike Europe by the Americans and the Japanese. But foreign banks with big operations in the US have also suffered, notably the UK's NatWest which lost \$352m there tast

"Banks are heading home," says Mr Piet-Jochen Etzel, a member of the board of Dresdner Bank. "It is very difficult expand successfully

But the movement is not only a geographical retreet. Many large hanks are also going back to basics hy refo-cusing on their traditional domestic operations, and on markets where their long standing gives them natural advantages.

In a recent study of the pros-pects for US banking, Mr Low-ell Bryan, the head of McKin-

forming only core hanking activities, where they would be strictly regulated. His work suggested they would be more profitable than today's commercial banks. Banking regulators, too, are focusing on distinctly ungla-morous areas: the clearing

systems that underpin the financial markets and go unnoticed until they fail, when they cause havoc. Several initiatives ere now underway strengthen systems and encourage new developments like netting out payments between banks to reduce the sums of money that pass between them and, hopefully, the scope for error.

practice, argued that many hanks should return to per-

Banking wears a bruised and battered look as it edvances into the new decade. Stock phrases of the 1980s such as innovation and global sation have become dirty words. Now-adays bankers talk of "getting back to basics", and "building on strengths" - a sure sign that the earlier boldness had

Confidence will doubless return as the economic Ecture improves, but that coul still be some way off.

IN THIS SURVEY

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competition gets tougher FRETAIL BANKING: once a money-spinner, now a cut-throat bueiness Page 4

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Midlend'e McMehon:

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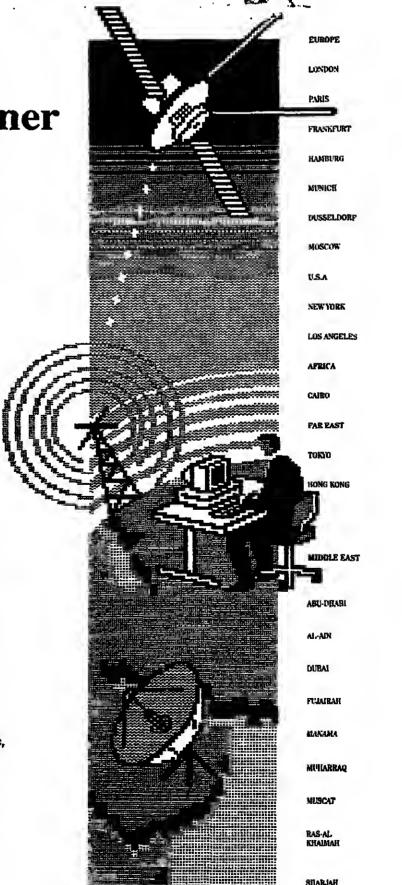


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Peter Norman assesses the condition of the global economy

A difficult decade ahead

THE 1990s are shaping up to be a difficult decade for the world economy and for international banks.

The US, Britain, Canada and Australia are in recession. Growth in Japan and continen-

tal Europe is slowing.

After the cuphoria thet surrounded the end of the Cold
War, the former Communist countries of eastern Europe are experiencing a difficult transi-tion to the free market econ-omy. The Soviet Union is in economic crisis, with serious commentators such as Mr Zbigniew Brzezinski, the former US national security adviser, drawing parallels between its present plight and thet of the US in the great depression of the 1930s.

The state of the developing world is a cause for continuing concern. There are success sto ries, such as the fast growing Asian economies of Hong Kong, South Korea, Singapore and Thailand, where economic conditions are increasingly difficult to distinguish from those in some industrialised nations. Some Latin American countries, notably Mexico, are pulling free of tha debt crisis that has hamstrung sconomic development for nearly a

But we need only look at our television screens to see that many countries in Africa are incapable even of feeding their own people. Elsewhere, nations rich in natural resources, of which Iraq is only the most egregious example, lack the sound, democratically respon-sible governance that is key pre-requisite for economic growth and development.

However, It is perhaps too easy to stress the gloomy aspects of the global economy. The liberation of Kuwait lifted an important cloud from the economic horizon. Crude oil prices, after surging upwards in the wake of Iraq's invasion of its small neighbour, have fallen back to pre-invasion leveis of around \$20 a barrel. Inflation, which had again reared its ugly head at the end of the 1980s, now appears past its peak, thanks to the implementation of tough monetary leading industrial countries. World stock markets have risen impressively since the

	1989	1990	1991	1992
World output	3.3	2.1	1.2	2.8
ndustrial countries	3.3	2.5	1.3	2.8
US	2.5	1.0	0.2	2.7
Japan	4.7	5.8	3.9	3.8
Germany (West)	3.8	4.5	2.8	1.9
Developing countries	3.1	0.8	0.8	3.4
Africa	3.3	1.9	2.0	4.8
Asia	5.5	5.3	5.0	5.2
Europe*	1.8	-2.9	-3.5	-1.7
Middle East	3.2	-1.5	-3.3	8.5
Vestern Hemisphere	1.5	-1.0	1.0	3.3
Vorid Trade Volume	7.1	3.5	2.4	5.5
ommodity prices	1			
On	21.5	28.3	-22.1	4.0
lon-fuel	-0.3	-7.8	-2.7	3.2
consumer prices				
industrial countries	4.4	4.8	4.8	3.9
Developing countries	79.5	90.5	40.9	18.0

luigaria, Cyprus, Czechosion ISR and Yugosiavia Source: (LIF World Sconomic Outlook, April 199

interest rate cut in recent

months. Economic surveys

suggest that the bottom of the UK recession may be in sight.

although rising unemployment will be unavoidable for many

Japan, although slowing, is expected to remain strong by

any standards other than those

set by Japan's spectacular eco-nomic performance in the past.

lowing union are more com-plex. Western Germany

chalked up an impressive 4.5 per cent growth rate last year as its factories boosted produc-

tion to meet demand from the inhabitants of the former East

Germany. Although the stimu-

hus from union remains strong, the economic problems of the

new Länder are proving far more intractable than imag-

ined. The German economy is looking increasingly lopsided.

control inflationary pressures in the western part of the

country is threatening to

choke growth in France, Italy,

Spain and other European

Community countries.

In Germany, conditions fol-

In the meantime, growth in

months to come.

beginning of this year, helping to boost confidence. now subject to the constraints of the exchange rate mechanism of the European Mone-Despite alowing, and in some tary System, the government has presided over a substantial

cases negative, growth in the big industrialised nations, the world should escape a global recession. True, the Interna-tional Monetary Fund expects world economic growth to slow to around 1.25 per cent this year from 2 per cent in 1990 and 3.25 per cent in 1989. But, in its most recent Economic Outlook, the IMF says growth could rebound to 3 per cent next year, helped by a recovery in the growth of world trade to perhaps 5.5 per cent from 2.5

per cent expected for this year. There are risks to this forecast - particularly on the trade front, where the stalled Uruguay Round of negotiations to liberalise world trade are a potent reminder of the dangers of protectionism. But the world has also been lucky because of the sharply different cyclical positions which currently characterise the economies of the big industrialised countries. It is not unreasonable to hope that the US, which was one of the first countries to enter revession, may soon be on the path of recovery. The Federal Reserve has pursued a Because of the present fixity of exchange rates in the ERM, the tight monetary policy that the Bundesbank is pursuing to policy of aggressively lowering interest rates in recent

federal funds - the important interest rate at which banks lend among themselves down to around 5.75 per cent. Although policy in Britain is

months, bringing the rate for

other financial intermediaries in many countries will proba-bly ensure that recovery will be slower than it might have otherwise have been.

The global economic upswing of the 1980s owed much to a wave of deregula-tion in the financial centres of the English-speaking world and, in turn, gave that process of deregulation added impetus. With the benefit of hindsight, es developed which now

excesses developed which now impair economic growth. Deregulation encouraged households and businesses in the US, Britain and Australia to take on ever increasing vol-umes of debt at variable interest rates. The tough monetary action taken to tame inflation not only exposed weaknesses among the borrowers. Financial fragility has extended to substantial parts of the bank-ing industry, particularly in the US.

This financial fragility coincides with a growing need for capital in the world. Economic restricturing in eastern Europe, the cost of German unification, post-war recon-struction in the Middle East and the continuing demand for funds to develop the Third World sit uneasily alongside widespread insolvencies in the US thrift industry and the financial problems of some commercial banks in the US and elsewhere. Until international banking

ins more strength and confidence, free flowing funds will not be available from the banking system to finance all the needs of the global economy in the 1990s. Only top quality bor-rowers will attract finance and the strong, whether they be countries or companies, will have an even bigger advantage over the weak.
The words "credit crunch"

have doubtless been overused to describe present conditions. But there is no mistaking the determination of nearly all governments to encourage domestic saving to make their economies less dependent on somstimes capricious capital flows. Although slowdowns and recessions invariably have been followed hy growth, financial constraints alone argue against there being a surge of global economic activity in the years ahead.

"BETWEEN 1975 and 1980, the World Bank group achieved net transfers of \$9 (in 1991 prices) per person in the developing world. Over the next five years, it is expected that net transfers will reconstant into our \$2 per will represent just over \$2 per person in the developing world. For a large number of countries, the net flow of money will actu-ally be into the Bank" - Larry Summers, Chief Economist, the World Bank, April 1991.

The IMF estimates that the overall financing requirements of the five countries (the former communist bloc countries of cen-tral and eastern Europe) might come to \$23bn in 1991. Of this total, the Fund expected to disburse up to \$5bn in various pro grammes and facilities during the year...(However) even with the agreed increase in quota, the Fund was simply not in o position to go on providing resources at the rate envisaged for 1991" - Report to minister: of the Group of 10 industrialised countries, April 1991.

DEVELOPING countries are more dependent than ever on the resources of the multilat-eral financial institutions. Yet the institutions are severely constrained in their ability to

neet this enlarged task. meet this enlarged task.

The reason for this dependence is the drying up of alternative sources of finance for most developing countries. The legacy of the 1980s debt crisis, overlaid by the severe capital constraints on international anks, means that commercial credit is available only to a minority of countries, or for

limited purposes.

Prospects for government-togovernment credits have also weakened after the losses -implicit or explicit - taken on the loans governments made in the 1970s and 1980s. Japan, a provider of significant sums in bilateral assistance over the last 10 years, has warned thet where It is forced to write down debts — as in the recent case of Poland — new credit will not be available.

Despite the recent capital increases of the International Monetary Fund, World Bank and Inter-American Develop-ment Bank (IADB), the ability of the international financial institutions (IFIs) to fill the gap is limited.

There is no desire among the

IMF's masters to change the essentially short-term "revolv-ing" nature of IMF credit packages. The World Bank is so neavily lent to some countries such as Brazil and China that they are almost inevitably going to pay more to the Bank in coming years than it dis-



chairs the first board meeting of the EBRD

The international institutions

Focus on the private sector

burses to them. In Latin America, the IADB will be the only institution making net transfers to many countries. Even if, the institutions claim, the demands for resources from east Europe have not deprived other developing countries of funds from the IFIs, these mands have reinforced this trend elsewhere.

In the medium term, this drying np of debt-creating financial flows to developing countries may be no bad thing. In the short-term, it means continued ontflows of capital from developing countries, with all that implies for social

As a result, it is not surprising to see IFIs such as the World Bank emphasising the help it gives to developing countries in non-financial forms - for example, advice and technical assistance.

There is also a renewed focus on non-debt creating financial flows - in other words equity investment, either through portfolio invest-ment in developing countries or through foreign direct investment. It is against this background that many countries, encouraged by the IFIs, have been reforming investment regimes and making their financial climates more hospitable to investors, both domestic and foreign.

This has been accompanied by pressure from leading

shareholders, particularly from the US, for a more private sec-tor-oriented focus by the IFIs. The US ultimately envisages the World Bank — where a tongh-mindsd commercial banker, Mr Lewis Preston, is soon to take over — lending directly to private companies in the third world. A similar

Sixty per cent of the **EBRD's lending will** be devoted to the

commercial sector

debate is now under way at the ADB, where borrowing countries such as Chile say rules which prevent lending to the

private sector act as a disincentive to privatisation.
US pressure has also resulted in a strong private sector focus in the newest IFI: the London-based European Bank for Reconstruction and Development, created to help the transformation to market economies and democracy in

stern Europe. Sixty per cent

of its lending will be devoted to the commercial sector and 40

per cent to infrastructure. This focus on the private sec-tor is controversial, and many believe it to be too narrow. After years of neglect, infrastructure in many developing countries is deteriorating rapidly. Without it, the private sector would not be able to

function efficiently. Moreover critics believe that concentra-tion on this issue shifts the focus from its proper place: the focus from its proper place: the raising of living standards — particularly those of the poor — in developing countries.

The EBRD is the first such

institution to contain specific reference to political conditions in granting assistance.
Political conditionality is
excluded by the articles of
association of the World Bank, which say loans can only refer to economic conditions.

It is argued that the reason the EBRD should be different is the consensus that now exists within Europe as to the way forward politically. That

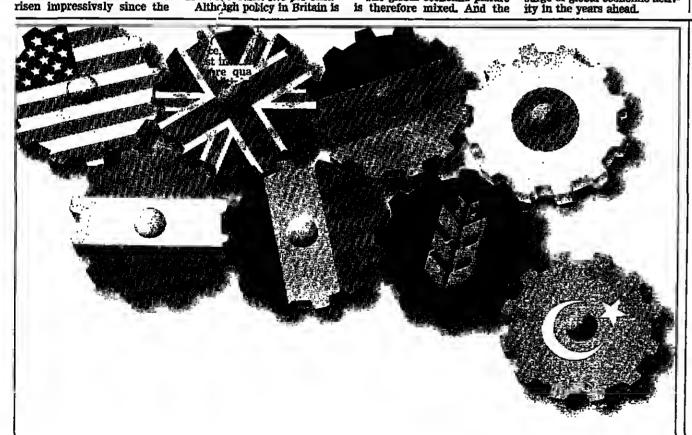
consensus is not replicated in an international setting. Nonethelese, questions which would previously been regarded as political and there-fore off-limits for the World Bank are increasingly being considered before loans are being granted - one demon-stration of how a development bank'e business is becoming more complicated. Shareholders in effect gave a go-ahead last month for the bank to take account of "excessive military spending" in deciding whether a country should receive assistance. The justification is that military spending has a fiscal dimension, and can have an

impact on development.
The controversial delaying, under US insistence, of an IADB project loan to Brazil in March (because of that country's arrears to commercial bank creditors) is one of sev-eral factors which suggest to some that there may be a less individual approach among

IFIs to borrowing countries.
This seems to make them more dependent than ever on the IMF imprinatur. Upon this hang loans from the World Bank and structural adjustment loans from other IFIs, as well as commercial and official

debt reschedulings.
There is no doubt that as time passes the IFIs are moving into areas where they are potentially more intrusive into policy-making in borrowing countries. However, there exists at least for the moment a broad consensus in many governments about the importance of markets and the private sector; of reining in fiscal deficits and of eliminating distortions to trade and prices. This consensus is likely to lessen any controversy in the near-term. The problems going forward may well be to per-suade the industrialised world of the value of these precepts.

Stephen Fidler



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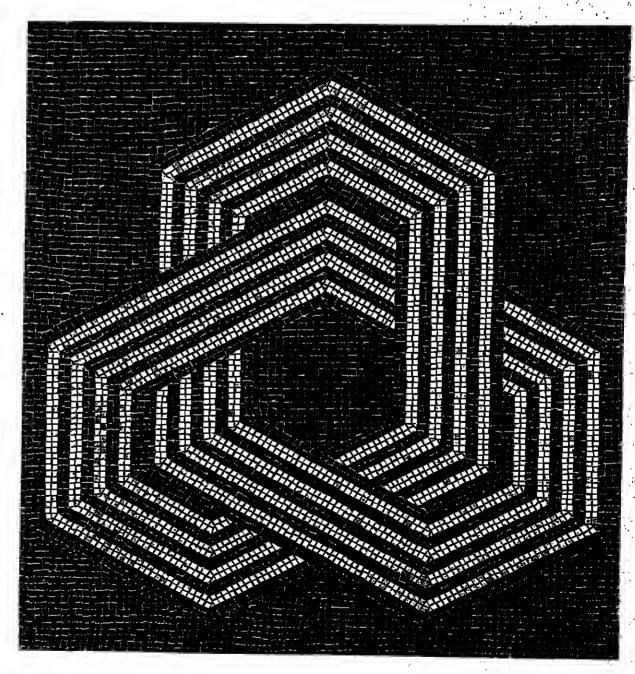
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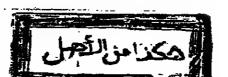
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PIECING TOGETHER THE COMPLEX MOSAIC OF SUCCESSFUL PROJECT FINANCE





\$1.8bn in subordinated paper. Last month, National Westmin-

ster Bank became the first

overseas financial institution to tap the market this year.

with a \$750m offering of 10-

year subordinated paper. Bar-clays Bank proved that US

buyers can once again be found for large public issues of preference capital by making a

200m offering in March - the first by an overseas bank since June 1990. In addition, there are signs

that international investors are

more receptive to banks. Nat-west and ANZ raised £100m

and S60m respectively of Tier II capital in the international

bond market in April. Bank of Scotland has asked

shareholders to provide a fur-ther £194m of core capital, the

first rights issue hy a UK bank in more than two years.

the banking system is not actu-ally short of capital. Rather, it is inefficient at distributing

capital within the system.

For example, in the annual report of the Federal Reserve Bank, Mr Gerald Corrigan, the

chairman, commented:
"It is by no means clear that

"It is by no means clear that the US banking system is short of capital. In fact, the opposite may be true, even though some individual banks need more capital. In part, the suggestion that there is too much rather than too little capital grows out of the widespread impres-sion that the United States is 'overbanked'"

Taking figures for the third quarter of 1990, the US banking

system required roughly \$160bn of core capital to main-

tain a 6 per cent Tier I capital

to assets ratio - compared with a minimum Basle ratio of

of capital in the system was

One implication of these fig-

ures is that the US banking

system will have to undergo a major period of consolidation

to match the capital to the

Credit crunch or not, many of the world's banks could be

facing a period of significant

per cent. In fact, the amount

However, in the US in partic-

Simon London analyses the global capital markets

The 'credit crunch': hard fact or financial fiction?

FEARS of a global credit crunch were voiced by Mr Nicholas Brady, the US treasury secretary, at last month's Washington meeting of finance ministers of the Group of

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Seven industrial nations.
The remedy prescribed hy
the US administration is lower interest rates and easier mone-tary conditions. However, there is a school of thought that suggests the benefits of easier money will not be passed on to the real economy this time around.

Instead, the banks will use easier conditions to shore up their depleted balance sheets by restoring lending margins, retaining income and building capital resources.

The fact is that many banks

The fact is that many banks are fighting to meet minimum requirements laid down in the Basle accord on international bank capital adequacy. The credit crunch, it is argued, is only the visible symptom of an underlying capital crunch.

Under the Basle guidelines, banks must hold capital equivalent to at least 8 per cent of risk-weighted assets by the end of 1992. Of these capital resources, at least half must be Tier I — equity or non-cumula-

Tier I - equity or non-cumula-tive, irredeemable preference shares. The rest can be Tier II capital in the form of loss loss reserves, subordinated debt

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and revaluation reserves.

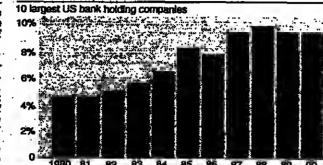
A common problem for international banks is that having expanded assets rapidly during the 1980s, they have found it difficult to raise capital.

The capital markets bave not been willing huyers of equity, preference shares, or subordinated debt. Profits have been decimated by loan losses in areas such as real estate and developing country debt. Hence capital resources have not always kept pace with

Different banks in different. jurisdictions face different problems. Some lack core capital in the form of equity, some need to raise more Tier II subordinated debt.

Moreover, while banks are working hard to meet existing regulations, the regulators are formulating new targets which

Ratio of total capital to total assets



as foreign exchange risk Banks are also worried that sudden accounting rula changes will leave them short of the Basic standard. For example, the Basic committee of central bank regulators has proposed a tightening of the accounting treatment for bad

If the Basle committee gets its way, banks will no longer be able to treat general loan loss reserves as Tier II capital.

Having expanded assets rapidly, banks have found it difficult to raise capital

Any reserves earmarked for specific credits or for identified asset deterioration would be excluded from capital resources – beyond the gen-eral limit that reserves of noerai inmit that reserves of ho-more than 1.25 per cent of risk-weighted assets may be counted as Tier II capital.

This would prevent banks from including reserves against real estate loan losses, or loans to developing coun-tries as Tier II central.

tries, as Tier II capital.

The March edition of the World Bank Quarterly Review noted that such a change would have an uneven impact on the world's banks. In the past, for example, US banks have not publicly differentispecific credits and general

Equally, Salomon Brothers estimates that exclusion of

developing country debt provisions would lower the Tier II capital ratios of the Japanese

city banks by 0.24 per cent on average.

Against this uncertain background, however, there are

ground, however, there are several signs that the capital crunch is easing.

In Japan, the strength of equity prices this year has huoyed the capital adequacy ratios of Japanese hanks, which are allowed to count 45 per cent of proventions. per cent of nnrealised gains from holdings of securities as non-core capital. Every 1000-point move in the Nikkei stock market index changes the city banks' capital ratios by around 0.2 per cent.

The average city bank's capital adequacy ratio, therefore, appears to stand at around 8.5 per cent today, against 7.3 per cent in September last year, when the Nikkei stood at around 21,000 - 5,000 below its

current level.
In France, the government's decision earlier this year to allow nationalised companies to tap the domestic equity markets may help the country's banks boost depleted Tier I

A more general fillip for capital-hungry banks has been a renewed willingness of investors to buy common equity, preference shares and subordi-nated paper issued by financial institutions. This trend has been most noticeable in the US, perhaps the biggest market for preference capital and sub-ordinated dabt securities. In the first three months of

David Lascelles considers the impact of regulation

Reforms fail to keep pace with changes in the markets

BANKING has always provided a field day for rule-makers, but

seldom so much as now.
Officials in Brussels, Washington, Tokyo and Basle are hard at work on blueprints to make banking safer, more effi-cient or fairer. But, with some exceptions, the pace of progress is slow, and regulation has failed to keep up with many changes in the markets.

One of the officials' biggest tasks has been to push ahead with the Basle agreement on capital, now due for full implementation by the end of next year. The agreement sets mini-mum capital standards to which all banks must adhere. But there have been worries in countries facing recession such as the UK and the US, that the standards are squeezing the banks' ability to lend, and worsening the danger of a credit crunch. Calls have been

made to relax the rules.

Mr Huib Muller, the Dutch
central banker who chairs the Basle Committee, has resisted them on the grounds that "you don't relax automobile stan-

dards in stormy weather."
Nonetheless, the Basle rules
have forced hanks which
expanded beyond their capital capacity to retrench, particu-larly the Japanese. This in turn, has reduced the intensity of competition in the interna-tional market and enabled bankers to widen profit mar-

The knottlest issne which draws banking officials together is how to accommotogether is how to accommodate the steady convergence of the banking and investment markets which has resulted from the banks' growing interest in securities dealing. In the US and Japan, where the two markets are separated by law, legislators are considering ways of lifting the legal barriers. In Europe, where no such separation exists, the challenge is to manage their coexistence. is to manage their co-existence

is to manage their co-existence.
One of the central planks of
the proposals put forward hy
Mr Nicholas Brady, the US
treasury secretary, to reform
US banking law earlier this
year was for banks to engage
in securities underwriting, His
proposal fell short of abolishing the Glass-Steagall Act



Hulb Mulier, chairman of the Basie committee: 'you don't relax automobile standards in stormy weather

Nor is much progress evi-

dent in Japan, where a similar deregulation exercise is under-

way. Proposals from the bank-ing and securities supervisors

are being hammered into a

reform package by the Minis-try of Finance. This will also

likely adopt the US-style hold-ing company concept, hnt Jap-anese officials are warning thet actual reform may still a

In Europe, where banks are free to deal in securities, the regulators' task has been to

ensure that banks and securi-

ties bouses compete on equal terms in the markets where

they overlap. The Basie Committee has

been drawing up rules to cope with the risks that banks run when they deal in equities, for-

elgn exchange and interest rate-sensitive instruments. But their work has been hampered

by the failure of their opposite number in the securities business, the international Organisation of Securities Commis-

sloners (IOSCO) to agree common ground. A proposed Basie-IOSCO Meeting in April

long way off.

which makes the separation. Instead, it would require the banking and securities operations to be separately incorporated under a common financial services holding company. This would create a "fire-wall" round the bank and protect it from the losses of other subsidiaries.

The proposal disappointed the big US money centre banks which wanted to he able to combine securities and bank-ing under one roof, universal bank style. But it also angered the Wall Street securities firms who saw themselves having to compete with banks who had the advantage of cheap funds

from their customer deposits. However, it is still far from certain that Congress will leg-islate such far-reaching reform. islate such far-reaching reform, it is a low priority compared to the more urgent task of recapitalising the US' deposit insurance fund, which has been drained by losses. The crisis in the US banking industry has also greatly reduced the number of banks who are Interested in, or able to take advangations. ested in, or able to take advan-

had to be postponed for six

Some urgency is now devel oping on this Issue, not just because banks are taking on market risk anyway, but because work has to keep in step with the Brussels Commission which is drawing up similar rules for the 1992 single

However Brussels has also found it bard to draw up capital adequacy rules on invest-ment activities which do not discriminate either against banks or securities bouses There has even been specula-tion that the whole exercise might be dropped if agreement cannot be reached. But Brussels officials are still hoping for

a compromise. Supervisors are also worried about how to deal with the growing number of financial conglomerates which combine banking and other types of activity. Last year's collapse of Britisb and Commonwealth. the UK banking, broking and leasing group, drove the need home for a clearly thought out approach.

The collapse occurred because of losses in the computer leasing arm. But this quickly precipitated the failure of the group's banking arm, even though it was financially healthy. A subsequent meeting of international supervisors in Frankfurt decided to put the

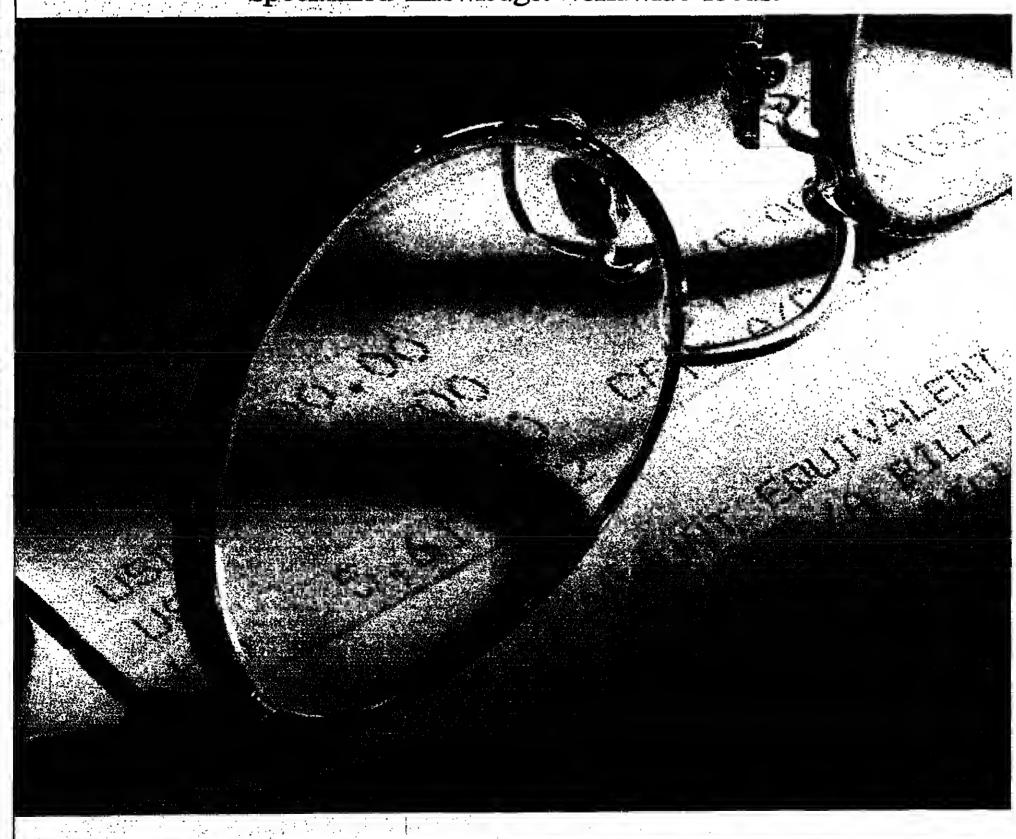
issue high on its agenda.

Although the crisis in US banking bas emphasised the need for close supervision of banks, it comes against a background of complex changes in the financial services industry which may require them to have greater freedom.

Bnt regulators have so much on their plates that some fresh initiative may be needed to get

the work done. Mr Ricbard O'Brien, chlef economist st American Express Bank, suggests that express hank, suggests that central banks could play a big-ger role in co-ordinating finan-cial reform programmes, and helping to reconcile differing objectives. He even suggests that the financial services industry needs what he calls "an overarching, global frame-

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RETAIL BANKING, once an effortless money-spinner for the banks, is becoming a cut-throat business as deregu-

lation and increased competi-

tion spread through the inter-national markets. In some countries, markets are still being opened up to competi-

tion. In others, competition

arrived years ago and is now starting to claim casualties.

in the US credit card indus-

try for example, probably the

most advanced in the world,

competition is feroclous. Inter-

est rate competition has bro-

ken out in earnest with First

Wachovia, an Atlanta-based bank, offering the lowest inter-

est rate of any leading issuer

Express is bowing to pressure

from food and drink retailers

Banks now have to fight

growing competition from

retailers such as Sears Roe-

& Telegraph (AT&T), the tele-

phone company. Sears not only has its own payment card, Dis-covery, it is also fighting Visa's

right to exclude it from mem-

Mr Charles Russell, presi-

dent of Visa International,

hints that changes in Visa's

membership rules may be on

the way to ensure that late

buck and American Tele

to lower commissions.

INVESTMENT BANKING

Tough competition

heartened by the performance of their markets this year, in stark contrast to conditions last summer. Stocks and bonds have performed well since the end of the Gulf war and, at least in certain sectors, feebased corporate finance is on the increase.

But competition for the business is stronger than ever and commercial banks are finding it tougher to compete with the securities houses and the merchant banks. A few have a chance of staying in the race and remaining profitable, but more may soon take the option of getting out altogether.

Earlier this month, Bankers Trust of New York announced substantial cuts in its corporate fiance department due to sluggish activity in corporate

lending and merger business. The Eurobond market demonstrates how investment banking power is being concenyear the top ten bookrunners on all Eurobond issues accounted for nearly half the total, according to Euromoney Ouly one commercial hank, J. P. Morgan, was among the

ten, occupying sixth place. Some of the US commercial banks, notably Chemical and Chase Manhattan, have cot their losses and virtually aban-doned the Eurobond market. Others that were once strong in the new issue market, aiming to support their secondary trading business, have heen weaksnsd by competition. Bankers Trust, ranked 11th in 1989, slipped to 18th last year. in their domestic securities

markets, commercial banks are enjoying mixed fortunes. While the Japanese banks are still barred from the most lucrative sectors of the securities business, their US counterparts are slowly forcing the door open. The Glass-Steagall Act, which has kept US banks out of securities for nearly 60 years, is

in 1989, four banks – Mor-gan, Chase, Bankers Trust ad Citicorp - began underwriting corporate debt. Last year Morgan scored a first when it was given permission to underwrite domestic equity issues. In January it co-managed a \$100m convertible bond for Centocor, a US biotechnology company. It remains to he seen

whether Morgan makes money ont of its new activity. But, unlike Citicorp, an arch-rival that has set its sights on being a global consumer bank, Morgan decided long ago to take the investment banking route. Less than one-third of its assets are now tied up in traditional lending.

The UK commercial banks. which became involved in securities nearly five years ago at the time of "Big Bang", have had an unhappy experience. Fierce competition from the Wall Street houses in London combined with shrinking trading volumes have dented revenue while costs continue to

escalate, despite staff cutbacks. BZW, the investment bank-ing arm of Barclays, has had an uphill struggle to establish itself. Profits jumped to £54m (\$93m) in 1989 but last year slumped to only £5m, a tiny return on its £400m of capital. County NatWest, part of rival National Westminster Bank never overcame an internal clash of cultures between the bankers, brokers and marketmakers, brokers and market-makers who came together at its formation. It has oever made a profit and last year posted a loss of nearly 250m.

Both banks have had prob-lems in establishing a successful corporate finance unit to support their securities trading activity and, most important, to hring in fee-based income.
All investment bankers recognise that a key element of corporate finance work is expertise in mergers and

True, M&A business in the US and UK has been on the decline. The value of deals completed in the US last year was down by nearly 40 per cent, while cross-border activ-ity also declined. According to figures from KPMG Peat Marwick McLintock, the value of all cross-border deals fell 13 per

cent to \$114bn in 1990. But the imminent single European market has raised hopes of an upturn in M&A activity, if only gradually. The restructuring of industry, which is essential to make the single market work, is certain to need the help of M & A spe-cialists, argue the optimists.

A fsw commercial banks may henefit from such an upturn. Although powerful Wall Street houses such as

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For a deeper view of international

Morgan Stanley and Goldman Sachs dominate the interna-tional M & A market, J. P. Mor-gan is one bank that is high in the rankings. Last year it took third place in a table of advisers on cross border deals compiled by International Financina Revies

No other bank featured in the top ten although there are isolated examples of US banks advising on cross-border deals. In the £533m acquisition by Guinness of Spain's largest brewer, Cruz del Campo, the Spanish company was advised by Chase Manhattan.

The extent to which the commarcial banks can penetrate the European M&A market depends on their international ties. This applies to the Conti-English-speaking counterparts. "Indigenous banks in Europe have strong client relation-ships within their own coun-tries", says Mr Guy Dawson, head of corporate finance at UK merchant bank, Morgan Grenfell. "But many of them do not have a genuine international network.

Morgan is part of Dentsche Bank, which is using the UK merchant bank to beef up its corporats finance activity worldwide. Credit Lyonnais is tepping up its international M&A effort: it recently hired Mr Jean-Luc Biamonti from the New York firm of Wasser-stein Perella as part of its cam-

Even if corporate clients are not merging or acquiring, they may well be divesting operations that are no longer financially viable. This is especially true of companies which borrowed heavily during a period of high interest rates. Here, commercial banks should be able to help such clients, particularly if they have an sxisting tie, perhaps through a lending facility. It is no coincidence that banks are now talking of a swing away from one-off deals back to rela-

tionship banking.
This may hold the key to the success (or otherwise) of their investment banking efforts. Capital is crucial, as is a broad international network. But the ability to build lasting client relationships is the most important ingredient.

RETAIL BANKING

Cut-throat business

antrants into payments systems have to pay their way. The frantic state of the US card market is an extreme example, but similar pressures are beginning to be felt else-where. In the UK, banks' profits were slashed not only by provisions on corporate and Third World lending, but also by provisions on retail lending.

Lloyds Bank, for instance, pnt aside £487m in 1990 (up from £162m in 1989) on its - a floating rate of prime rate pius 2.9 percentage points, cur-rently around 11.9 per cent, while on the other side of the retail business. Its credit card operations slipped into loss, even though Lloyds led the way in introducing annual business even American charges for card customers.

At least UK banks do not yet face challenges from retailers snch as AT&T's Universal. AT&T broke into the Master-Card and Visa markets through its subsidiary Universal Bank, offering a card which undercut those of the banks. With 4.5m holders, it now ranks sixth in the industry.

in some retail banking markets, the emphasis is still on dsregulation and breaking

down long-established cartels in the industry. "I think in Japan, people are

right when they say that deregulation cannot come in a rush. It has to be achieved on a step by step basis", says Mr Mr Carl Pascarella, president of Visa International's Asia Pacific Region. However, Mr Pascarella is hopeful that Visa International is poised for a breakthrough in the Japanese market, where for several years it has faced strong com-

in the US credit card industry, competition is ferocious

petition from local bank cards

allied to MasterCard and from charge cards, notably JCB. JCB itself is expanding its overseas network of merchant outlets. In the UK, it hopes to grow its network from 10,000 to 50,000 in the next few years, using Midland Bank's merchant services.

Some credit card products familiar in other countries are as yet largely unknown in Japan. Japanese automatic teller machines are among the most advanced - and the cheapest to operate - in the world, but there is little use of alectronic terminals and EFTPOS (electronic funds transfer at point of sale), while debit cards have been very slow to emerge.

On the other side of the world, Visa International would like to crack the Ger-man market by persuading one of the three large German banks to join it. Last year, however, Deutsche Bank, the largest German bank which has led resistance to Visa launched a Eurocard with a revolving credit which it is marketing to the general pub-lic as well as to its own customers. The move signals a further step towards competition, but boosts the Eurocard,

MasterCard alliance. Meanwhile the European Commission doggedly contin-ues to try and build up a single market in retail banking as in

other areas. in October 1990 the commis sion published a green paper on cross-border payments. Sir Leon Brittan, the commissioner responsible, says that building a common payments system is an essential plank for the Community's plans to establish a single market in all areas of economic activity.

Commercial banks in the twelve EC nations initially reacted with some hostility to Sir Leon's proposals, evidently seeing them as an attack on the lucrative commission income they earn each time a payment in ons community currency is translated into another. Two committees of consumers and bankers are

now looking into the problems involved and are due to report by the end of the year. In the marketplace, Euro-

pean financial services players are reaching out beyond their home countries. Barclays and Bank of Scotland have both entered the German credit card processing market and clays has started to issue Visa and debit cards in Germany.

In the mortgage market, Hypobank (Bayerische Hypotek und Wechsel Bank) has announced plans to market its mortgage products in Italy. Two British lenders, Abbey National and Woolwich Building Society, are already there. Hypobank has already set up subsidiaries in several European countries including Britain. By contrast, Hallfax, the largest UK mortgage lender, has yet to set up operations outside its country of origin.

Woolwich has also entered the French market by buying Midland's French subsidiary. Banque Immobilière de Credit. in the UK, however, a num-ber of the foreign banks which entered the market in the late 1968s are now trying to with-draw because of the depressed housing market. Westpac of Australia sold its £200m mort-gage book to Household Mort-

lender, in April.
Around 30 smaller mortgage lenders are now trying to with-draw from the UK market, fol-lowing the lead of Chase Man-hattan, which sold its portfolio

gage Corporation, a specialist

to HMC early this year. Those who plan to soldier on in the UK recognise the need for caution. We intend to stay in the UK mortgage market. in the UK mortgage market, but we recognise that for the time being one has to go slowly and keep a low profile," says one London-based French

David Barchard

Victims of recession

"BUSINESS conditions for banks have probably been the worat in recent history, and they are unlikely to improve in the immediate future.

This was the stark message from Mr Charles Winter, chief executive of the Royal Bank of Scotland, when he reported a 58 per cent fall in interim prof-its at the beginning of this

His words probably go for everyone else in the UK bank-ing industry. The recession has had a devastating effect on banks, Bad debts have soared, new business has slumped, and with it the industry's earning power, Sir John Quinton, the chairman of Barciays, the largest clearing bank, even went on record as saying that conditions were the worst he had seen in his 38-year career.

Although the Big Four clear-

Atthough the sig rour clear-ing hanks produced better results in 1990 than in 1989, this was only because the pre-vious year's bottom line was depressed by heavy provision-ing against Third World debt. At the operating level, all the big UK banks saw sharp declines in 1990. Their bad debt charges totalled a record £3.7bn (\$6.2bn).

These severe conditions have produced their particular casualties. One of them was the Midland Bank's proposed merger with the Hongkong and be shelved because neither bank was robust enough to proceed. Five banks, the largest of them British & Commonwealth Merchant Bank, were also forced into administration - the first bad spate of bank failures in a decade.

This spring, few bankers see an early end to it all. Lord Alexander, the chairman of NatWest, told shareholders not to expect any improvement in the first half of this year. Because the peak in bad debts tends to lag behind the recov-ery, the latter part of this year could still bring heavy losses. But the more enduring impact of the recession may well be to speed up the shake-out in the banking industry. All the big clearing banks have now embarked on major costcutting measures which will involve the loss of more than

UK clearing bank results (£m pre-tax) Abbey National Barclays 16% 10% (715) (261) NatWest TSB

80,000 jobs and several hundred branches over the next two or three years. in some cases, as with Lloyds, this also involves a retreat from specific markets overseas, usually those on the

periphery.
The biggest structural question hanging over the clearing bank sector is the future of Midland now that the Hong-kong marriage is off. Sir Kit McMahon, the chairman, is

Five banks went into administration - the first bad spate of bank failures in a decade

leaving early to make way for new management under Mr Brian Pearse, the former finance director of Barclays, to sort ont the bank's future. Although there has been much takeover of Midland, it is hard to identify a credible candidate. Mr Pearse is now engaged npon a strategy review, but he is expected to fight to keep Midland independent.
The merchant banking sec-

tor has also been hard hit. Profits have been down at leading names such as Schroders. Meinworts, Warburg, Barings and Morgan Grenfell, with the causes mainly last year's depressed investment and corporate finance markets. An exception was Hambros, whose more specialised approach enabled it to report an 18 per

A notable disaster was Guin-ness Mahon which lost £35m on bad debts. This was significant because the group was acquired only two years ago by the Bank of Yokohama in what was seen as a ground-breaking

move by a Japanese bank into UK merchant banking - but now one which others will be

in no hurry to follow. The recession has not helped the image of the banking industry. Accusations of banks "pulling the plng" on hard-pressed customers abound. But the banks have taken steps to meet a worssning market. They have re-opened the inten-sive care units with which they nursed corporate casualties through the last recession. In a few isolated cases they have even converted loans into equity, though they stress that this is not a trend which they

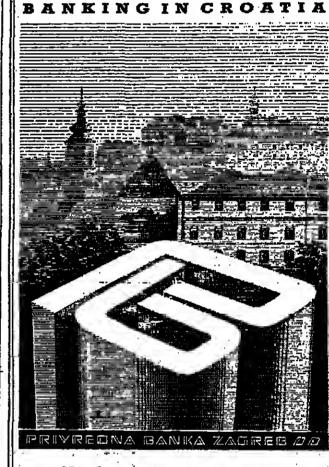
Their position has not been helped by the widespread view that banks contributed to the present recession through excessive lending in the 1980s

- a charge which they naturally deny. Nonetheless, they are trying to complete a new Code of Conduct to head off the controls on their activities. But not all bankers take the

gloomy view. The Bank of Scotland, long considered one of the best-managed UK banks. has just announced a £200m rights issue because it wants to take advantage of what it considers to be excellent prospects in the UK. Mr Bruce Pattullo, the group chief executive, points out that

the problems besetting many banks are helping to reduce competition and improve the profitability of the banking can enlarge its market share should be well-placed. "Our whole delivery system is geared to winning market share," he says. "In the future this business will have higher

David Lascelles



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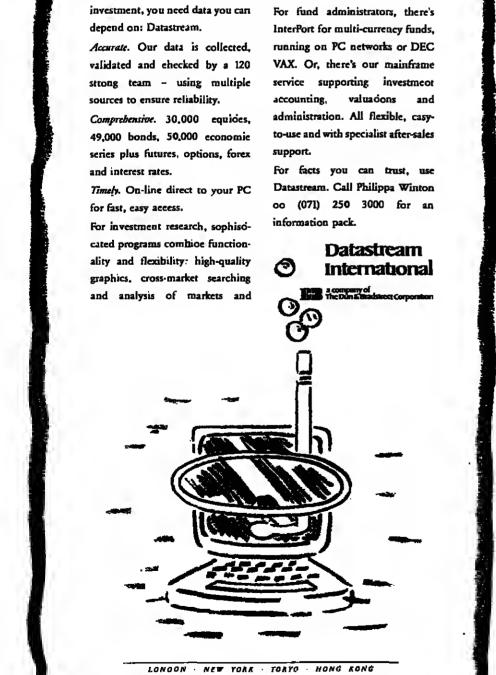
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be past.

However, the current US recession could yet spring some nasty surprises. Even if the industry's earnings are on the mend, it still faces a painful period of cost-cutting and consolidation – amid govern-ment efforts to push through the biggest reform of the industry since the 1980s.

The crisis atmosphere of last autumn was concentrated mainly in the north-east of the US as a regional recession, which developed into a full-blown national downturn, undermined the commercial property market, Banks' real estate loan loss provisions mounted sharply, the Boston-based Bank of New England teetered on the edge of insolvency (finally succumbing in January) and dark rumours circulated about the possible failure of one of New York's large money cen-

Since then, however, there has been a dramatic change in senti-ment, underlined by a sharp rise in hank share prices in the first quar-ter of this year and a willingness of of new capital into the industry.

It is perhaps significant that the failed Bank of New England was eventually bought by Fleet/Norstar THE UNITED STATES

A wary optimism

Financial, a fast-growing Rhode Island bank, with the backing of Kohlberg Kravis Roberts, the leveraged buy-out specialist. It was the canny KKR's first foray into bank-

Admittedly, Fleet/Norstar and KKR got a very attractive deal on BNE – the government-run Federal Deposit Insurance Corporation will assume all the bank's risky loans, almost assuring the buyer lucrative

But the industry's fundamentals are also starting to look brighter, even though most banks raported a slide in first quarter earnings, mainly due to further jumps in bad debt write-offs and provisions.

The gradual reduction of

short-term interest rates over the past half year by the Federal Reserve has cut banks' funding costs, while lending rates have remained relatively high. The banks' net interest margin - the difference between the average cost of deposits and average yield on loans and other assets - has wid-

ened markedly.
In addition, the pace of increase

in bad loans has been slowing. For example, Citicorp's addition to nonperforming assets was \$750m in the first quarter, compared to \$900m in the fourth quarter of last year and

\$1.1bn in the third quarter. That said, property problems are far from over. In much of the north-east, commercial real estate values are continuing to fall and many banks expect to make hefty provisions to the end of the year and possibly beyond. The problems extend right down the eastern sea-board, while California also suffers from a large overbuild.

Moreover, the recession has been pushing up credit losses on con-sumer loans and could further intensity the banks' problem portfo-lios of so-called HLT loans - bor-rowings which financed highly leveraged takeovers in the 1980s, many of have turned sour.

On the positive side, the crisis has given a new urgency to banks' efforts to cut their operating expenses. Jobs are being slashed, operations rationalised and peripheral or unprofitable busines

Costs could also be cut if a longforecast consolidation of the indus try through mergers finally starts to happen.

However, any move in this direction may have to wait for greater confidence in the industry that it is really on top of its property prob-

Wells Fargo, the San Francisco-based bank, held abortive talks on a possible merger last year with Los Angeles-based Security Pacific. A combination of the two would be the second largest bank in the US, but the talks were apparently suspended last December shortly before Security Pacific announced large loan loss provision and a retreat from world banking. On the east coast, a popular New York guessing game is which of the large money centre banks will merge.

Meanwhile, the super-regional

anks which have emerged via takeovers over the past few years -such as Banc One in Obio and NCNB in North Carolina – are also looking to expand their empires: Banc One considered a bld for Bank of New England, but was eventually



That sinking feeling: Bank of New England failed in January

put off hy the state of the regional economy, while NCNB bas been casting an eye over Florida's trou-bled Southeast Banking. Cost-cutting would also be helped

if the government's plan for an overhaul of banking legislation goes through Congress. For one of its central features would be to scrap the McFadden Act of 1927, which imposed severe controls on inter-state banking. The Treasury propos-als now being considered by Congress would allow banks to open branches across state lines without restrictions and buy banks in other states much more easily. At present, holding companies bave to operate separate banks in separate states, which blocks them from sig-

Another central feature of the lecislative package is a reform of the current system of deposit insur-ance. The Bank Insurance Fund. which compensates depositors in failed banks, has to be recapitalised because of the wave of insolvencie sweeping through the industry. The administration also wants to curtail sharply the protection afforded to depositors, with insurance limited to \$100,000 for a regular account at one hank. However, it would also retain the "too hig to fail doctrine" -which argues that the fall-out from the failure of a large bank is poten-tially so dangerous that they must be bailed out, whatever the insur-

ance costs.

This issue has sharply divided the industry, with smaller banks arguing that it (and much clse in the legislation) will create a bias in favour of large ones.

So politically contentious is the Treasury reform package that few expect much of it to survive its passage through Congress, except for some movement on deposit insurance and possibly some action on

The administration's proposals to scrap the Glass Steagall Act, which separates commercial banking and the securities industry, seems to have little hope. The same can be said for its plan to inject fresh capital into the industry by allowing industrial companies to own bank

holding companies. If the hill does get mired down in Congress this will not have an immediately damaging effect on the sector, which is looking above all

for light at the end of the recession. But most analysts say that over the longer term, without fundamental changes in the anachronistic framework of the industry, it will continue to be financially stretched, inefficient and likely to retreat further from international competition. Some 20 years ago, there were nine US hanks in the global top 30. Today there is just one.

Martin Dickaon.

FOR A long time, Japanese banks have been the envy of the world, with their huge access to low-cost funds, unrealised stock gains, supportive regulatory environment

and passive shareholders.

A booming stock market and rising yen enabled them to aggressively pursue overseas markets. panese banks' share of banking sets rose above 40 per cent as heavy overseas lending continued. Bankers in rival countries, especially the US, complained that Jap-anese lending practices made it impossible to compete.

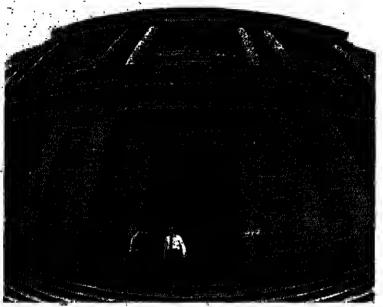
But those days seem to be gone.

After many years of double-digit growth in their international portfolios, Japanese banks are slowing down, looking to raise asset quality and profitability.

The Japanese economic newspaper, the Nihon Keizai Shimbun, recently reported that in the sixmonth period ended March 1991, foreign currency assets of Japanese

foreign currency assets of Japanese banks had declined for the first time. The Bank of Japan said its statistics would not be ready for several major banks could find none willing to admit to a drop. But all confirmed that their international strategies have changed, from almost unrestrained growth, to modest, planned expansion at a single-digit annual rate.

"It has suddenly dawned on Japa-



Bank of Japan: derogulation is at critical point

nese banks that growth is no ionger a good thing," says Mr Robert Zieliuski, a banking analyst at Jardine Fleming Securities. "It has also dawned on them that they made a lot of had (foreign) loans, so by limiting their asset growth, the

profitability of overseas operations increases.

When Japanese stock prices were high and capital was plentiful, banks measured their success by market share, trying to grow as much as possible. But approaching Modest growth forecast

JAPAN

the March 1993 deadline set by the Bank for International Settlements to bring capital ratios up to 8 per cent, Japanese banks find them-selves in a different situation.

The Ministry of Finance bas taken a harder line with the bank-ing industry, limiting the ability to raise capital through equity-related financing. Recent weakness in the Japanese stock market bas also burt, lowering the portion of unrealised gains for stock portfound in the portion of the portion of the portion of the portfound of the portfo ratios. A slowdown in Japanese conomic growth and weakness in the domestic real estate market have prompted international credit rating agencies to downgrade Japa-nese banks from their top rankings.

One banking analyst with Moody's Japan K. K. says that while Japanese banks have no need to pare back sharply their foreign et portfolios, a marginal decline would not be surprising. Even fol-lowing a round of downgradings, major Japanese banks are still at least two ranks higher than their

progressed to a critical point in Japan, raising funding cost even further. While the last low-cost funding source for banks, ordinary savings deposits paying about 2 per cent, is still safe from change for the moment, interest rate deregulation is closing in. An advisory council to the finance ministry recently recommended the intro-duction of money market deposit-type accounts paying higher inter-est, and the day when all interest rates will be fully liberalised is

now in sight.
These changes are making life more difficult for the top "city banks", whose large branch networks and range of businesses will help keep them competitive in most environments. But the specialty institutions - long-term credit banks, trust banks and the Bank of Tokyo - will have a tougher time at home as a result of financial

liberalisation, and this may cause them problems abroad as well. As the international capital markets have grown, the business of

lending to large Japanese corporate customers has become more competitive, and less profitable. trend in the Japanese banking industry has been a shift to smaller customers with fatter profit mar-gins. For the specialty banks with naller branch networks, such a shift is no easy task.

Mr Hironohn Jlhlki, a director and general manager of the inter-national planning department at the Long-Term Credit Bank of

Banks are slowing down, looking to raise asset quality and profitability

Japan, says his bank's strategy at home and abroad is to emphasise low-risk, high-return business, a seemingly difficult job. Overall asset growth for LTCB is expected to be in the range of 5 per cent, compared with more than 10 per cent in recent years. To replace the lost growth in assets, Mr Jiblki says LTCB will try to increase fee-

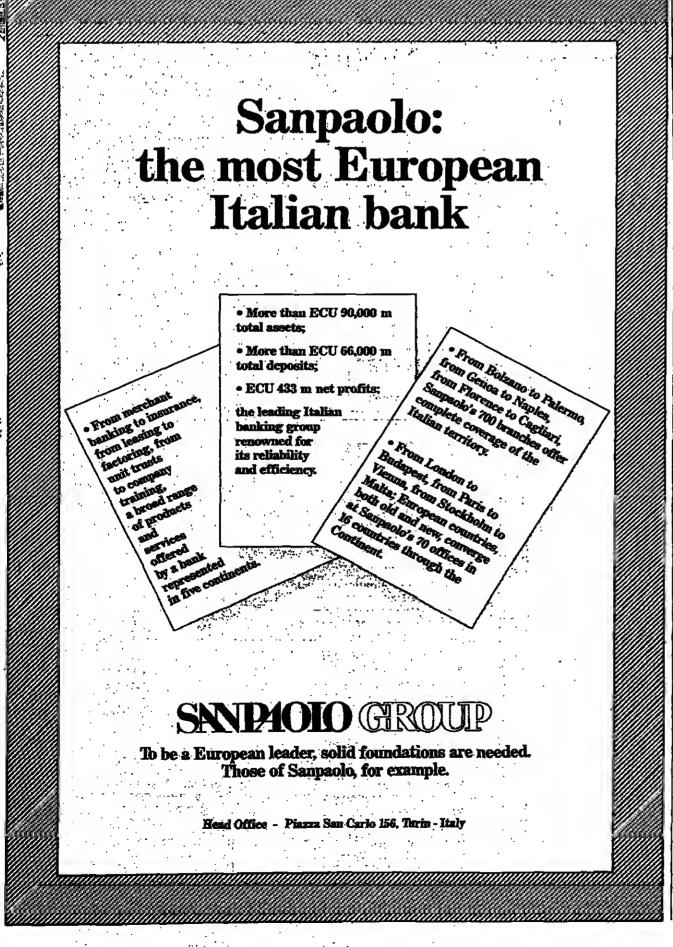
earnings husinesses, off-balance sheet transactions and the trading of foreign exchange and govern-ment bonds, all of which can raise profitability without requiring hanks to set aside risk-weighted capital.

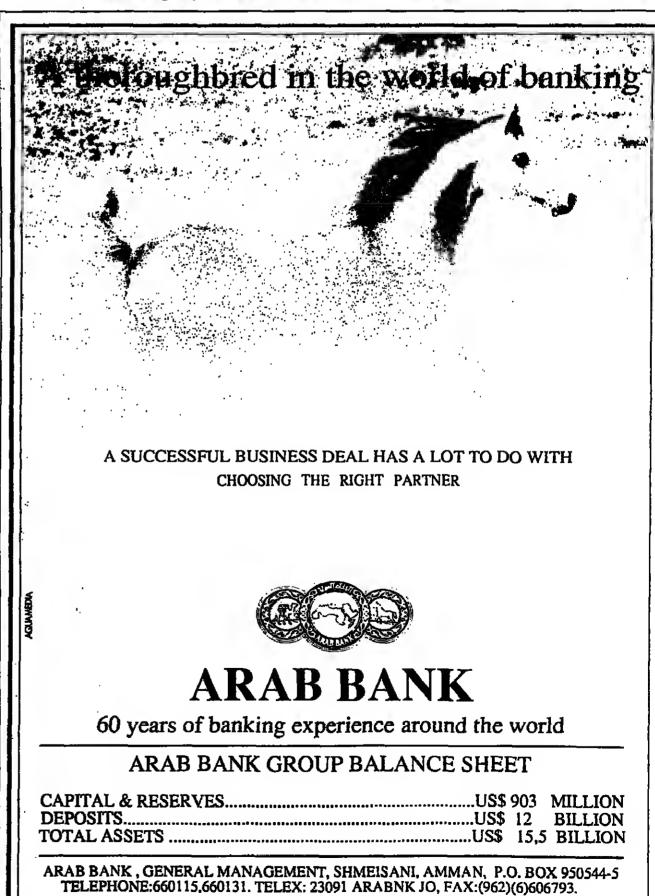
Despite LTCB's aggressive move into US buyont financing in the late 1980s, Mr Jiblki says his bank's share of non-performing assets is much smaller than major American competitors. That will allow LTCB to continue growing at a modest pace, even as other banks pull back, he says.

But Jardine Fleming's Mr Zielinski believes Japanese banks have definitely curtalled their US lending activity. "The profitability of US banks is getting much higher. That is a sign Japanese banks bave balted productory manufacts in the halted predatory practices in the

LTCB's Mr Jibiki will not admit that Japanese banks are pulling back in the US, although he does back in the US, although he does say the industry is making a hig push in south-east Asia.

Still, the number of credit worthy customers in Asia is tiny com-pared with the US and Europe. which is where analysts say Japa-nese hanks are expected to con-





EUROPE 1992 no longer quickens bankers' pulses as it did a year or two ago: there are too many distractions, such as the emergence of the east European market and the clouds of recession.

However, this has not pre-vented the prospect of a single banking market from continuing to be one of the strongest forces shaping banking strategy in Europe. A string of recent deals shows that bankers remain keen to forge crossborder alliances and acquisi-

Barclays Bank has spent several hundred million pounds buying two banks in France and Germany, Européena de Crédit and Merck, Finck, following which it now has a foothold in the EC's major banking markets, and is emerging as one of the largest multina-tional banks. It has also begun to export its expertise in credit cards more aggressively, most recently with a move into the German market where card ownership is among the lowest

Crédit Lyonnais has preserved its reputation as Europe's most acquisition-minded bank with a string of smaller deals, most recently in northern Spain, where it is negotiating to buy Banco Jover as part of its strategy of becoming a full service bank throughout the EC.

"Our top priority is to build a major bank in Europe," says Mr Barnard Thiolon, the group's general manager.

Many banks have preferred a more limited strategy and have concentrated on acquiring stakes in other banks so as to

foster closer relationships. Banque Nationale de Paris bought five per cent of Kleinwort Benson, the London mer-chant bank, and Dresdner Bank bought a similar stake in the Banesto group, which con-trols one of Spain's biggest

Dresdner also has a partnership with BNP to work to seal it with a cross share-holding.

One of the most ambitious deals - if it comes off - will be an exchange of stakes between Commerzbank, Germany's third largest, and Crédit Lyonnais. The two banks will probably buy np to 10 per cent of each other, Execs at the two banks say the deal is the best way to gain access to each others' markets because other routes, such as acquisition or hulding from scratch, are not practical.

At a more workaday level,



Thiolon: 'Our top priority is to build a major bank in Europe' Lord Alexander: seeking to retain London's pre-eminence

1992 remains a strong force shaping European banking strategy

The lure of the single market

several banks have also signed co-operation agreements which bind them to share services without necessarily acquiring mutual stakes. Typical was a five-bank agreement signed in March between Crédit Agricole of France, Rabobank of the Netherlands, Banco Ambrosi-ano of Italy, Lloyds Bank of the UK and Bayerische Vereinsbank of Germany to allow each others' customers access to their branches

Many of the deals have been made not just to enter new geographical markets but to acquire new expertise. This has been particularly true of acquisitions made in London, where foreign hanks have sought merchant banking and fund management skills.

Tha most eye-catching remains Deutsche Bank's 18month-old purchase of Morgan Grenfell for almost film. The two hanks are building up their relationship, though prog-ress has been hampered by the UK recession and the slump in corporate finance activity which produced a disappointing fall in Morgan's profits. Nonetheless, Mr Guy Dawson, the head of Morgan Grenfell's says he is pleased with prog-

"This is an opportunity to

build a genuine international advisory network using our merchant banking strength and Deutsche Bank's network reach," be says. "But it will only work if we are seen to be independent of Deutsche

There are similar ambitions at Chartered WestLB, the joint venture merchant bank between Standard Chartered and Westdeutscha Landesbank. Business is building up after a

Many deals have been made not just to enter new markets but to acquire new expertise

slow start, says Mr Patrick Macdougall, the chief execu-

In Brussels, much of the regulatory work in the banking area is now complete, according to Sir Leon Brittan, the commissioner responsible for financial services. The Second Banking Directive, which establishes the "passport" which will enable banks to migrate freely across EC fron-tiers, comes into force at the end of next year. Other measures dealing with capital ade-quacy and large exposures are

One big stumbling block that has cropped up is the UK gov-ernment's attempt to limit accurations of TIK companies by foreign state-owned entities for fear of "nationalisation by the back door". This has had a big impact on the banking sector because so many large Con-tinental banks are owned by

Although Mr Peter Lilley. the UK trada minister, was unsuccessful in his attempt to block the purchase of Wood-chester, an Irish leasing company with a hig UK presence, by Crédit Lyonnais, he prevented the same bank from buying Signet, the UK credit card company. Credit Lyonnais responded by lodging a complaint with the commission.

Significantly, the Bank of England has added its voice to concerns about the growth of state-owned banks. Mr Brian Quinn, the head of supervision, said recently that state ownership of banks could hinder the

loosening national control over their banking systems if the single market was to evolve. But Mr Thiolon of Crédit Lyonnais counters: The fact of belonging to the state does not

evolution of the single market

He said EC governments would

have to get used to the idea of

cause it limits competition.

imply uniformity. We demon-strata total management

The tough stand taken hy the UK comes at a time when it is trying to reinforce London's claim to be the leading financial centre of the EC. That position has been seen as vulnerable because of the City's high costs and growing

regulatory apparatus.

However the UK's entry into the exchange rate mechanism of the European Monetary Sys-tem last October was a welcome boost to the City because it carried a political commitment to the process of financial integration with Europe. The Bank of England is now working to build London as a centre for trading in the Ecu against the day when more tark mine becomes a reality.

tary mion becomes a reality.

The prize every EC country has its ayes on is to become the home of the proposed European central bank. Lord Alexander, the chairman of the NatWest Bank, made the strongest pitch yet on London's behalf when he said earlier this month: "Our pre-eminence must be maintained on merit - or jobs, prosperity and inter-national influence will evapo-

COMMERCIAL BANKING

Caution is the new watchword in lending

recession in the Anglo-Saxon economies and new capital adequacy requirements has led many international banks to look even more cantiously at their lending activities. The Basle international capi-

tal adequacy requirements have had a considerable impact on the loans market. They have forced many banks - particularly the Japanese -either to limit the growth of their assets or reduce their loans books to meet the inter-nationally-agreed standards for the ratio of capital to assets. Japanese banks accounted for some 40-50 per cent of new lending for the late 1960s. How-

ever, concern about the capital ever, concern about the capital adequacy requirements means that they have refrained from participating in the lending market to a great extent. However, one Japanese banker estimates that Japanese banks would account for perhaps 20 to 25 per cent of new lending for the rest of this year.

So what has this meant for those companies which do want to borrow money?

There is no doubt that after years in which the competition was so tough that banks had to fight for business, the shoe is now on the other foot. Bankers now on the other tool, banaces find that they are in a position of control. The most noticeable effect is that they can demand a higher price. Pricing on loans — the margins over London interbank offered rates and various fees - has doubled, if not trebled, in the last two

The head of one of the larger syndicated loans teams in the City says: "Fees were far too tight before. Bankers couldn't live with that, they couldn't make profits. Take the case of a single-A rated UK company. Two years ago, tha margin over Libor would have been 15 base points. A year ago it would have been 20-25 base points. Now it would be 45 base

Banks are also in a stronger position to demand tighter financial ratios and more detailed covenants. For example, in some cases bankers require interest cover (profit

A COMBINATION of the 2-25 times. Bankers say that in cases where interest cover was part of the covenant a year or so ago, it might have been 1.5-1.75 times.

Likewise gearing (the debt-to-equity ratio) has also become a matter of concern. A year ago, gearing ratios of up to 150 per cent were accept-able. Today, bankers feel more comfortable if the upper limit is kept to 100-125 per cent.

They also feel the need to scrutinise company accounts at more frequent intervals, asking for half-yearly or even quarterly management accounts so that they can keep a closer watch on the company's financial position.

Many of the top quality banks claim that they feel less comfortable about lending to a company unless they are given these reassurances. Of course, while banks find themselves in a position of power – stem-ming from the shortage of

Bankers find themselves in a position of control

lenders - they can demand such financial reassurances. But if and when the lending market becomes more compet tive again, perhaps once the recession is over, they may find it difficult to continue insisting on the provision of such figures. Indeed, they could see pricing come down and companies considerably less willing to agree to finan-

cial ratios in the covenants.

The US recession and eco-nomic slowdown in Europe has meant that far fewer compa-nies are in a position to borrow heavily. In the US and UK, many companies are highly geared already. Some are unconfortable with a high level of borrowing because they feel they are at the mercy of their bankers: if business conditions deteriorate, they feel the banks might become nervous and call in their loans.

As a result, many companies are in the process of raising equity capital to reduce their gearing. The London stock David Lascelles divided by total interest market has seen a spate of rights issues recently as one

taken advantage of the renewed post-Gulf War institutional appetite for equities to reduce gearing.

Other companies feel "safer" using bilateral losses, or borcompanies from a very small

using bilateral loans, or borrowing from a very small
group of banks as they dislike
the idea that their loans could
be sold on to a much larger
group of banks. If loans are
sold on, it can make renegotiation much more troublesome
as Mr Rupert Murdoch discovered with News Corporation's bankers. tion's bankers.

The economic slowdown exacerbated by worries about the situation in the Middle East in the second helf of 1990 and early 1991 — has led to a slowdown in the volunte of new syndicated loans business. As a result, few banks are beef-As a result, tew canes are com-ing up their syndicated loan teams — indeed, National Westminster has decided to cut hack staff — though most believe that the gloomy aconomic conditions will prove

short-lived. Some banks are wondering whether British companies will return to the loss market in the next year or so as their multiple option facilities (Mofs)

come up for renewal.

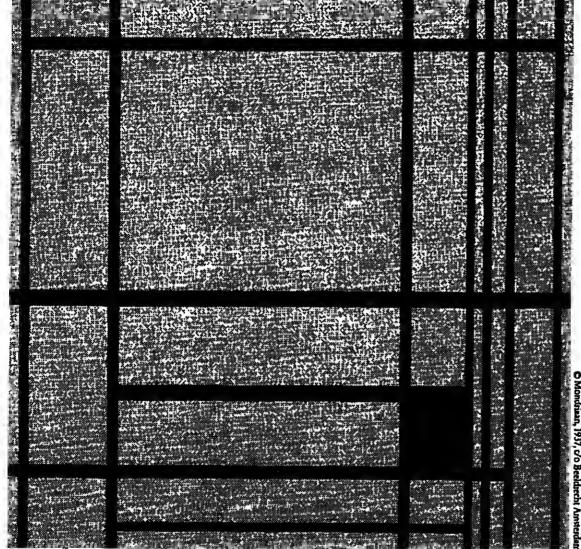
Many British companies se Many British companies set np Mofs in the late 1880s because they provided a range of competitive standby funding options. They were often arranged on very favourable terms for the borrowers. Banks were keen for the business so pricing was aggressive; hence a company pays a fee to be able to draw on funds, often at a rather thin margin over Libor.

A lot of companies took Mofs A lot of companies took Mots as a form of cheap "insurance" in case they needed to draw-on extra funds. In the event, companies needing funds were often unable to fall back on these facilities as technical breaches of loan covenants allowed banks to wriggle out of

their obligations. One senior banker points out that in many cases the compa-nies arranged to be able to borrow far more than they needed. In his view, such companies are unlikely to renew their bor-

Sara Webb

Composition with blue, Mondrisan, 1937, Hazgs Gemeentemuseum.



Rabobank 🖼 The Art of Dutch Banking

In banking, as in art, a clear concept can make all the difference.

The Dutch artist Mondriaan spent more than 20 years refining a style of painting he called neoplasticism. Similarly, Rabobank carefully defined and refined its own style of banking. As the Dutch economy and industry grew, so did Rabobank, becoming one of the largest domestic banks. Today, with total assets of more than US \$ 115 billion, Rabobank is one of the top 50 banks in the world, with offices in major financial centres and ports around the globe, active in financing agribusiness, commodities and in every aspect of international banking. And we still have our own clear, long-term view of client relationship, based on commitment, dedication and trust.

tricky east European market

They also believe that the trad-tog links between France and

Germany should facilitate a

closer interweaving of the financial services sector, par-ticularly in view of the forth-

Domestically, too, the banks are in a changing market. Anything from the growth of the credit card business to the pro-

liferation of derivetives prod-ucts testifies to the evolution

of Finanzplotz Deutschland.

Many new products, most nota-bly tailored derivatives instru-

ments, are important sources

Another particularly lucra-

tive area is the upmarket end of private banking. Here the banks are in the midst of

important reorganisations, positioning themselves to capi-

talise on the much-heralded

"inheritance generation" (it is estimated that the Germans' collective net worth will nearly

double by the year 2000). From July Dresdner Bank is

resurrecting the old "Hardy" private banking name to start a Frankfurt-based operation

managing the portfolios of pri-vate clients worth around

DM5m or more. Deutsche Bank, which has bonght a

majority share of the private

hanking honse Grunelius, recently announced it would

set up special units around the country to advise depositors

with funds of more than DM100,000. In March Commerz-

bank said that it would acquire

the private financial advisory unit of Matuschka, the Munich-based independent

financial services group.

Other developments, such as the advent of a D-Mark commercial paper market, bave more ambiguous significance.

Margins are wafer-thin and the

growth of money market instruments in general could

eventually help erode the banks' cheap funding base. On the whole, however, the banks see that change is inevi-

table, and are increasingly

role in promoting soch devel-

Katharine Campbell,

willing to take an aggres

coming single market.

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	FINANCIAL TIM	ES FRIDAY MAY 2	4 1991				
MINKING					IN	TERNA	TION
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cuqiv	East	path	strai	ins	resc	ourc	es
		GERMANY'S BIG	· · · · · · · · · · · · · · · · · · ·		FOR 1990, IN		
	Bank	Total operating profit	Partial operating profit	Net Income	Net Interest income	Net fee Income	Dividend
	Deutsche Bank Dresdner Bank Commerzbank	5.13bn(+9.7%) (na) (na)	4.53bn (+17%) 1.85bn (+4%) 1.86bn (+18.3%)	1.07bn(-20.4%) 921m (+42%) 557m (-0.01%)	9.1bn(+20%) 4.73bn (+11,9%) 3.43bn (+13.1%)	3.8bn (+29%) 1.85bn (+1.7%) 1.34bn (+11.2%)	14 (14) 12 (12) 10 (9)
The state of the s	*Excluding own account trading	. Source: Company figures					

IN INTERNATIONAL terms, the 1990 results of the big three German banks look more than respectable. Earnings were respectable. Earnings were considerably boosted by strong credit growth accompanied by slightly wider interest rate margins; balance sheets remain hasically solid; and, through east Germany, expanded deposit bases constitute an important extra guarantee of future profitability.

At the same time, the year in

which the largest of the three, Deutsche Bank, revealed its trading profits for the first time was hazardous for both bond and equity dealers, entailing significant write-downs. Concern about the deteriorating position in eastern Europe left its mark on the accounts. All the banks topped up their risk provisions considerahly. Commerzbank, at pains to present a healthy set of figures from Mr Walter Seipp, its retir-ing chief executive, has raised total of DM5.3bn (\$3hn) of country risk exposure. This still leaves it well behind levels at Deutsche Bank and Dresdner, with the uncovered portion representing around 33 per cent of its capital base, com-12112 pared with 9 per cent at Deut-sche Bank and 15 per cent at Dresdner, according to esti-mates by Salomon Brothers.

The provisions boost at Com-merz was paid for largely by sales of industrial holdings, including the extraordinary gain from disposals of its 10 per cent stake in construction company Hochtief. Deutsche Bank's addition of a further eight countries (mostly in east-ern Europe) to the list of probern Europe) to the list of prob-lem debtors was bought at the expense of a sharp 20 per cent aside what industry sources estimated as an extra DML5bn.
Whether to include the Whether to include the Soviet Union as a problem debtor has proved contentions. with Mr Hilmar Kopper, chief executive of Deutsche, revealing at the beginning of the year that his bank was for the first time making provisions, while Mr Seipp and others have fiercely criticised the move as politically insensitive (Commerzbank is less exposed



The Dresdner Bank; alming high in the east

to the USSR, with perhaps DM800m in outstanding loans). In terms of capital adequacy, German banks may face nothing of the difficulties of, say, the Japanese in meeting the Basle standards, but the separate institutions continue to lohhy to Bonn for competitive treatment when EC capital adequacy regulations are writ-ten into national law. At the moment highly conservative standards, upbeld by both Bundesbank and the Berlin banking regulators, severely restrict the domestic institutions in what they can count as core capital. The banks still hope to be successful in persuading Bonn - with an eye on international competitive-- to relent on the treat-

ment of revaluation reserves. Expansion into east Germany has represented a seri-ous strain on resources since currency union last July, but the banks have already built up an important new depositor

base. Mr Kopper has stressed that it is the 17m east German citizens as private clients that constitute the principal allure for his bank, warranting the leap of faith involved in taking on, through the joint venture, part of the old communist banking system. Both Deutsche and Dresdner,

which also adopted this path, have been able, at least initially, to pull far ahead of Commerzbank, which opted to go it alone in building a branch net-work — a strategy that has proved more costly than expec-ted. Within three months of starting, both Dentsche and Dresdner had some half a million new account bolders, and gathered in deposits in excess of DM13bn apiece. "Dresdner has been able to keep pace with Deutsche in its new busi-ness development, observes Mr Stephen Lewis, banking analyst at Salomon in London. "It can therefore eventually expect to achieve a roughly similar market share to that of

a position it certainly does not have in the west." All the banks have been wary in their approach to corporate lending in the east while earning useful fees from government-guaranteed loans propping up state industry. At the same time, Mr Kopper said that "a few hundred million" D-Marks had already been allocated in provisions against the restricted amount of own risk lending undertaken in consumer finance and small busi-ness - an indication of just how severe the economic climate in the east has been.

Deutsche in the eastern states

While eastern Germany has proved a drain on resources, the banks have not entirely neglected the rest of Europe, particularly France. While Deutsche continues to look for a suitable acquisition, both Commerz (with Credit Lyonnais) and Dresdner with (Banque Nationale de Paris) claim to be close to effecting share swaps as the basis for more intensive co-operation. It remains questionable how effective the links will prove to be; but all the banks are con-vinced of the wisdom of a joint approach in pioneering the

AFTER several years in which France's banks were able to compensate for the erosion of their profit margins by increas-

ing business volumes, the merry-go-round finally slowed down last year.

With few exceptions, France's leading banks reported sharp falls in profits in 1990; down 53 per cent for Banqua Nationale de Paris (BNP), down 25 per cent for Sacilété Générale, down 26 per cent for Société Générale, down 26 per cent for

Paribas. The handful of banks which reported higher profits were able to do so only because of unusual circumstances. Crédit Commercial de France (CCF), for example reflected the difficult market conditions with an 8 per cent decline in operating profits, but after securitising most of its sovereign debt the previous year it was able to slash its country risk provisions, able to shan he country that provinces, allowing net profits to rise by 15 per cent. Crédit Lyonnais, which announced the best figures with a 19 per cent increase in net profits, did so only because of the integration of Altus Finance, the former alectronics banking arm of the Thomson electronics

group. The parent bank, like its competi-tors, recorded lower earnings. Group earnper share declined, too. The banks have been hit on a number of fronts at once, with profit margins and volumes both suffering at the same time s a sharp deterioration in the quality of

credit risks. In the capital market sector, banks continued to record poor results. Low stock market trading volumes and a weak new issues market remained problems, while the inverted yield curve continued for most of the year to make it difficult to turn a profit in the interest rate markets.

Corporate lending showed some recovery in volume, but this was more than offset for most banks by the number of defaults, both in France and abroad, where banks like Crédit Agricole, Paribas, Indo-

MR STUART Fowler, managing director of Westpac, looked relatively happy earlier this month when he announced the bank's interim results. It was a change from last November, when Mr Fowler and Sir Eric Neal, chairman, were grilled for more than three hours by unhappy shareholders. Mr Fowler's good bumour reflected a significant improvement in Westpac's

results in the six months to the end of March; operating profits increased by 55 per cent to A\$241m (\$188m). But if Westpac is past the worst, the outlook for the industry remains subdued in the face of a weak economy and the legacy of unwise lending to crashed entrepreneurs.

All three quoted trading banks reported a fall in net profits last year — Westpac down 39 per cent to A\$486m, National Australia Bank down 0.1 per cent to A\$801m, and ANZ down 43 per cent to A\$412m. Even the government-owned Common-wealth Bank, partly insulated by its large

weath Bank, party insulated by its large home loan portfolio, was restricted to a 4 per cent increase to A\$494m.

The problem, said ANZ chairman Mr Milton Bridgland, was "probably the harshest economic environment for small and medium-sized businesses in Australia since World Wer Two." Technically, Australia strolly enverged from recognization in the tralia emerged from recession in the December quarter, but growth has been weak or negative for five consecutive quarters, and shows little sign of picking up before the end of this year. That will be

to late to affect the banks' second half results, which close in September.

Recognising this, Westpac warned that the second half would "subdned," and rubbed in the point by cutting its dividend by 10 cents, to 15 cents. National Australia Bank, which reported on the same day,

FRANCE

The lean years

suez and Crédit Lyonnais were caught up in several of the more spectacular British bankruptcies. Crédit Lyonnais nearly doubled overall provisions for specific cus-tomer risks to FFr4.1bn; the Paribas group raised its by 40 per cent to FFr4.95bn.
Some banks, like Banque Française du
Commerce Extérieur (BFCE), recorded a

modest improvement in lending margins in 1990. BFCE found its average margin, which had fallen by a full percentage point over the four previous years, rose slightly last year to 64 basis points, and this has improved again in the first months of 1991. Most banks, said that any reversal in the downwards trend for lending margins had taken place only late in the year. Société Générale, for example, said its average lending margin had fallen by 42 average fending margin had fallen by 42 basis points over the course of the year. Consumer banking, too, brought its headaches last year. After long neglecting this segment of the market during credit controls, the big high street banks have undertaken a breakneth expansion of their consumer loan portfolios in recent years. Lest year the rate of increase slowed Last year, the rate of increase slowed down, and the problem loans began to surface - as consumer credit specialists such as Compagnie Bancaire and Banque

Sofince had long warned they would.

This problem was aggravated by the introduction of the Neiertz law – named

AUSTRALIA

after Mrs Véronique Neiertz, minister for consumer affairs - which set up mechanisms to allow over-indebted people to negotiate out of difficulties. The banks complained that the law has mostly bene-fited people who are sufficiently cunning to exploit its workings, and who, in addi-tion, have usually lied to their creditors about their other borrowings.

The finance ministry paid some heed to the complaints, and has modified the rules governing money market funds to chable banks to recycle a greater proportion of their captive funds into their own certifi-

cates of deposit.
This decision, which involves a relaxation in the rules obliging mutual funds to spread their risks by allowing money mar-ket funds to hold up to 25 per cent of their assets in the securities of a single issuer, has been contested as a dangerous reversal of principle, with potential long term investor protection risks. Finance ministry officials defend the decision, however, on the grounds that money market funds have a logic quite different from that of equity and bond mutual funds, and arguing that investors are still well protected. One final aspect of the deterioration of bank profitability is the substantial rise in operating costs, a rise which augurs ill for the sector's shillty to manage its wsy

through hard times. This costs spiral sounds a note of warning for the future of France's banks. Compared with their international competitors, they can for the most part boast sound, well-provistoned balance sheets, well-developed international networks, and exper-tise in electronic banking systems and collective money management techniques, but they may have to tighten their belts if

George Graham,

Unhappy legacy

revealed an 18 per cent fall in interim net profit to A\$361m, and also took the axe to its dividend, which was cut by four cents to 22 cents. Mr Don Argus, managing director, said he did not expect the econ omy to bottom out until early 1992, and suggested the recovery might be delayed

mili the middle of the year.

The hig problem for the banks is the level of bad debts charges against profits. Between them, the big four banks wrote off more than A\$3bm in bad debt charges for the banks was the banks when the banks was the banks as the banks was the banks as t for the year to September 30, more than double the charge in the previous year. They also revealed non-accrual loans totalling nearly A\$7.8bn, which rose to A\$11.7bn after including other problem loans and facilities.

On top of that, Westpac wrote off a further A\$552m in the first half of the current year, and NAB nearly doubled its charge to A\$456m. ANZ was expected to more than double bad debt charges from A\$225m to around A\$525m, and more than halve net profits to between A\$104m and A\$140m, compared to A\$310m last year.

The banks deny that their problems were caused by their lending to Australia's 1980s generation of high profile entrepre-

neurs, many of whom have crashed with massive debts. "No-one would have thanked us if we had not sought to main-tain our share of the growth of the Austra-lian economy," Sir Eric said. in fact, the banks' share of the Austra-lian home market has increased as a rapid

tightening of margins has forced the smaller hanks, especially those based abroad, to reduce their exposure. Several significant takeovers raised the big four banks' share of Australia's total banking assets from 66.5 per cent to around 75.5 per cent in 1990. The biggest single increase came from the A\$1.6bn takeover of the State Bank Victoria by the Commonwealth Bank. This was also the catalyst for the partial privatisation of the Commonwealth Bank by the federal government, which plans to offer a 30 per cent stake to inves-tors next month in what will be one of the country's biggest capital raising exercises

Other significant takeovers last year tocluded the acquisition by ANZ of the National Mutual Royal Bank and the Perth-based Town and Country Building Society. The acquisition of the NMRB, for merly a joint venture between the National Mutual Life Group and the Royal Bank of Canada, followed the govern-ment's rejection of a more radical ANZ

plan for a A\$3.4bn merger with National Mutual, the second biggest life office. The plan was blocked by Mr Paul Keat-ing, the federal treasurer, on competition grounds, but the government's action has not stopped speculation that further bank-ing mergers and banking/insurance deals are likely when the economy recovers.

Kevin Brown Sydney

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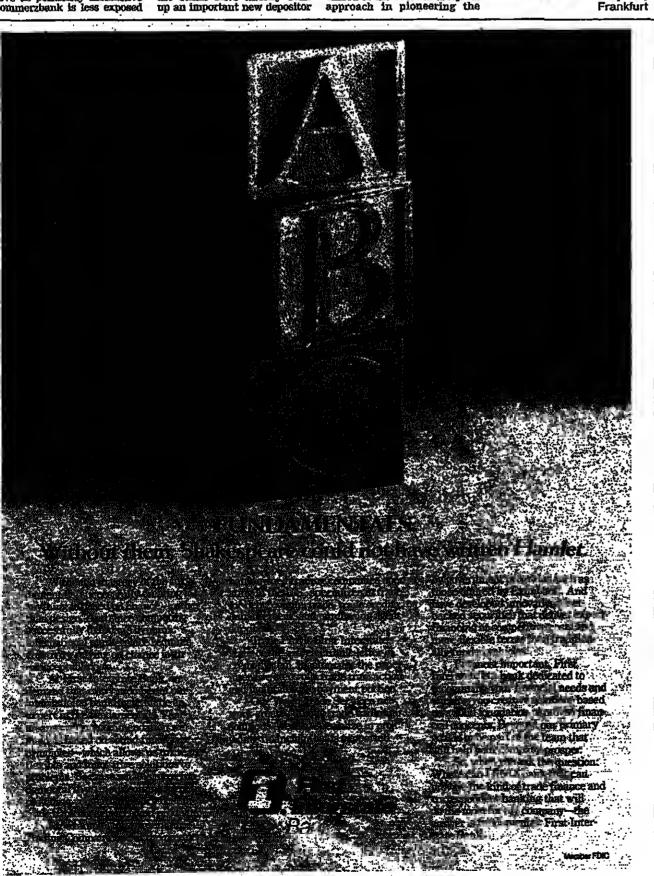
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The growing links between banks and insurers

Boundaries blurred

more insurance policies to their customers during the

As would be expected for a phenomenon now generally referred to as bancassurance or Allfinanz, the linkages between retail banking and personal insurance, especially life insur-ance, will be most evident in Europe, where liberalisation of financiai services is most

However, with the advan-tages of integration becoming increasingly clear for both banks and insurers, pressure is building in the US and Japan for the barriers separating the two industries to be scrapped. "Any thinking banker can't deny the success being experienced by European bancassurance operations," says Mr Michael Hepher, chairman of Lloyd's Abbey Life, one of the most successful UK link-ups.

Europe's three biggest mar-kets already indicate the shape of things to come. Most of Germany's leading banks and insurers are entangled in a bewildering series of national and regional alliances, including those between Dresd-

insurer, Allianz, A recent report from Salomon Brothers suggests Ger-man banks will at least double their 15 per cent share of life and pensions market over the

ner Bank and Europe's biggest

• French banks now write more than 50 per cent of new life business. In one of the most impressive success sto-ries, Predica, the life insurance subsidiary of the bank Crédit Agricole created in 1987, is now

 Many UK building societies have forged ties with life assur-ance companies. The Halifax'e connection with Standard Life is among the most significant, while the Trustee Savings Bank's TSB Life is described by Salomon Brothers as "a role model for banks entering the insurance market". Lloyds Bank has moved closer than any other bank towards an integrated bank/insnrance approach through an innova-tive deal in which Lloyds transferred five subsidiaries into Abbey Life (including Lloyds' existing life company, Black Horse Life) in exchange

for 57.6 per cent of Abbey Life's

Bank-insurance links have also been concluded in Denmark, Italy. the Netherlands, Spain and Sweden. The merger earlier this year between National Nederlanden, the largest insurance company in the Netherlands, and NMB Postbank, the country's thirdlargest bank, created one of Europe's largest financial ser-

Underlying the business logic of the link-ups is increasing competition. European banks have seen operating margins get much tighter over the last ten years. In particular, as interest bearing current accounts have become more

French banks now write more than 50% of new life business

common in a number of European countries, banks have faced a sharp increase in the cost of their deposits. Competitive pressures — in part stemming from deregulation — have also pegged back the rats at which banks can make profits from their core profits. its from their core lending activities, forcing banks to seek ways to increase produc-tivity. This is particularly true in countries such as Portugal, Spain and the UK, where

Computerisation and information technology have opened up new possibilities of managing a wider and more diversified customer base, and banks have been looking for new products to sell.

Life insurance has been an obvious market for two princi-pal reasons. First, during the 1980s life insurers were increasingly concerned with developing products that offer tax efficient ways of long-term saving (rather than those that offering compensation for death, long-term illness, and other risks) to an increasingly affluent population. As Europe becomes "greyer", its citizens are more likely to invest in private pensions and life insur-ance products, rather than sim-ply leaving their money in bank accounts, Insurers, therefore, have been straying into territory traditionally regarded by bankers as their own.

pressures in their own sector mounting, life insurers have been looking to reduce costs, in particular the high expenses incurred in distribution. Distribution via brokers and tied agents can be as mnch as three times more expensive than sales via a network of bank or building society branches. Insurers can find it easier to sell via bank branches because of the generally good personal relations between a bank and its customer base. Especially in northern Europe, banks can rely upon a particularly loyal customer base. Lifs insurance sales staff selling through bank networks — using lists as "warm leads" — have been very successful in the UK and Ireland. Mr Hepher of Lloyd's Abbey Life says sales person-nel can sell roughly three

times more policies a week than their colleagues working for traditional life companies. Banks have also examined the possibility of selling nonlife insurance products, espe-cially simpler home contents and home buildings packages. But this has proved a trickier proposition. The possibility that a home or motor insurer may question the amount or validity of a claim with relative frequency creates the scope for conflict between an insurer and a customer. Banks fear that by selling non-life products they could damage

their good customer relations. In the UK, the National Westminster Bank has circum-vented this problem by opting to act as an insurance broker earning a commission for its sales of policies – for both life and non-life policies.

In Spain, one of the most sophisticated examples of a nk insurance tie-up - that between the Barcelona-based Banca Catalana, which sells the life products of the Nor-wich Union subsidiary, Plus Ultra - could offer a clue to the course of future develop-ments. Banca Catalana sells savings-related life products directly via its branches but operates as an agent - earning commissions on sales - when it sells Plus Ultra's non-life and risk-based life insurance, such as term assurance or critical

Richard Lapper

Canada's banks are seeking to expand in the US

Prudence pays off

chairman Mr Allan Taylor visited Wall Street last month to remind US analysts and institutional investors that the debt rating of North America's second biggest bank was lifted in 1989 and 1990, and confirmed

Mr Taylor was gently making the point that, while Canadian banks have taken a knock in the past year and are no longer the force they once were in international capital markets, they have the satisfaction of being under less financial pressure than many of their US

Indeed, the troubles in the US banking system appear to be helping Canada's banks gain new business in the US, a market which most of them have targeted for future expan-

The Canadians are reaping nationwide retail networks, which provide a relatively high proportion of stable, low-cost funds. On the assets side, they have (with one or two notable exceptions) been more prudent than the troubled US institutions in financing leveraged buy-outs and commercial prop-

erty development.

Ms Helen Sinclair, president
of the Canadian Bankers Association, says that "through the 1980s, we passed up on a lot of the racier activity. There's a feeling that adherence to sound banking principles has been seen to pay off."

The collapse of several small banks in Canada in 1985 and 1986 may have contributed to the caution. The Superinten-dent of Financial Institutions now takes a closer interest in all the banks' loan portfolios. Under pressure from the regu-lator, banks have sharply increased Third World loan loss provisions and have moved to comply with capital requirements set by the Bank for International Settlements.

Most banks bave posted creditable performances in a climate of high interest rates and weakening business condi-tions. Although earnings fell by 15 per.cent in the quarter to January 31, Royal Bank still enjoyed a 15.3 per cent return on equity. Its nearest rival, Canadian Imperial Bank of Commerce, had a return on equity of 14.2 per cent. Bank of ally unchanged from a year earlier, with a return on equity of 14.5 per cent.

It would be wrong to con-clude, however, that the banks have sailed frough the recession unscarred. Bad debts and non-performing loans bave risen substantially in the past ar, and are expected to climb further in 1991.

Toronto-Dominion, long regarded as the star of Cana-dian banking, lost its Moody's Triple-A credit rating earlier this year. Heavy exposure to the depressed Ontario economy has cost it dearly; loan loss provisions almost doubled in the past year, while non-per-forming loans soared to

'Through the 1980s, we passed up on a lot of the racier activity'

C\$1.34bn (US\$1.16bn) from

The non-performing portfolio of Bank of Nova Scotia, which made the mistake of rushing into the US commercial property market, has tripled in the past year to C\$1.40n - though BNS boasted a first-quarter return on equity of 14.9 per

National Bank of Canada, the smallest of the six, saw its return on equity slide from 18.9 per cent in the first three months of fiscal 1990 to 24 per cent in the final quarter -though it bounced back to 13.4 per cent in the first quarter of fiscal 1991. National's problems included a C\$136m write-off of loans to Mr Robert Campeau, the hard-pressed founder of the real estate and retailing group which bears his name, and an exposure to Polly Peck, the failed British fruit-to-electronics conglomerate

Although the business cli-mate is the banks' main concern at present, they are also keeping an eye on financial service reforms which the government hopes to put on the statute book within the next year or so.

The proposed legislation will open new windows of opportunity and competition. On the one hand, the government pro-poses that banks be allowed to expand into insurance and fiduciary services by owning

insurance and trust companies. (One important caveat is that the banks will not be allowed, for the time being, to offer these services through their own branches. They will also be barred from motor vehicle leasing.)

But the proposed legislation will also expose banks to competition from other financial service groups. Trust and insurance companies are to get virtually unlimited consumer and commercial lending pow-ers. Widely-owned institutions - such as mutual insurance companies - will be allowed to own banks, other than the hig six, in which no single share-bolder can have a stake of more than 10 per cent.

The banks' response is likely to be more varied than their helter-skeiter rush to buy bro-kerage firms when ownership curbs in the securities industry were lifted in July 1987. At that time, only one of the six, Toronto-Dominion, chose to build up its securities business from within.

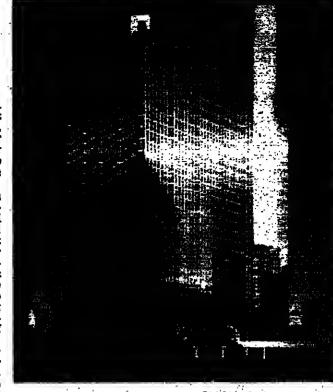
Ms Sinclair predicts the leg-islation will result in a more diverse financial services industry where, as she puts it, "there will be banks, life insurers and trusts that look similar, while two banks may look very different from each

Most banks have already forged marketing alliances with trust and insurance companies, and some have indi-cated that they are also inter-ested in acquisitions. Mutual-fund management is emerging as another attractive hunting ground.

As their giee over picking up new business in the US indi-cates, Canada's banks are anx-ious to expand their presence south of the border, not only in extent in Latin America.

The prospect of a North American free trade area and Mexico's promising economic outlook has encouraged the banks to take a greater interest in Mexico. Several have long had extensive operations in the this year bought a 24 per cent stake in Chile's sixth-biggest bank, Banco Sud Americano.

Bernard Simon



Royal Bank enjoyed a 15.3 per cent return on equity

	(C\$m)	(CShn)	Return on	Capita ratio
Royal Bank	232.0	130.6	15.3%	81%
CIEC	219.3	120.4	14.2%	7.0%
Bank of Montreal	138.6	91.4	14.5%	8.1%
Bank of Nova Scotia	140.2	.85.8	- 14,9%	7.8%
Toronto-Dominion	126.1	70.2	10.5%	8.21
National Bank	55.3	36.3	13.4%	8.4%

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WORLD PAPER AND PULP

SECTION IV

Friday May 24 1991



In a little over a year the mood of the industry has changed almost beyond recognition. At the

end of the 1980s producers looked forward to a new era of opportunity yet now they are disappointed and disillusioned. John Thornhill reports on the change in outlook

The talk is fig 5.1 banks, three full of gloom

WHAT a diffarence a year makes. On the eve of 1990, the pulp and paper industry seem-ingly stood on the brink of a new era of exciting opportuni-

ties.
The industry was experiencing one of the strongest spurts in damand and profitability that it had ever seen; a wave of acquisitions and restructurings was reshaping the competitive map; a worldwide programme of unparalleled investment was heing undertaken; and new and enticing markets were beckoning in eastern Europe. Yet in a little over a year the

NAMES OF THE STREET

ED SURVEYS

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mood of the paper industry has changed almost beyond recog-As Mr Hartwig Geginat,

president of the European Paper Institute, told a recent industry conference in London "the year that began with great promise ended with disillusion and disappointment".

The telk is almost all gloomy. The industry's vast paper machines built at enor-mous expense are running at slow speeds; capacity is being cut; profits are tumbling darmingly; and companies are

What has brought about this sudden change in outlook?

suffering from one of the down-

As demand picks up at the he he had been a strated as the he had been and a trading cycle, the haper companies reap great profits which are then invested in building additional capacity. As supply begins to outstrip demand the market sours and the industry structles on until the industry struggles on until the imbalances in the market correct themselves and the upswing begins again. At present, the market is bumping along the bottom. There are, as yet, few signs that the upturn

yet there are also those who argue that this latest downturn represents more than just a cyclical phenomenon and that the industry has crossed an

The 1990s, they argue, will represent a far more challenging decade as the industry is beset by problems from many sides. They can be listed as fol-

the industry likes it or not, environmentalism is here to stay. Although the pulp and paper industry has done much to combat its image regarding the environment it still faces in part, the paper industry is considerable pressure from



consumers to change its ways. Those companies that are unwilling to evolve, or simply cannot afford to, will suffer

mightly in the coming years.
The environmentalists are not only challenging how forests are managed and what production technologies are used in producing pulp and paper but they are also ques-tioning the product itself and calling for reductions in consumption levels. For peper makers, this raises the fright-ening spectre that the unwritten rule that links paper consumption increases with the eral rise in GDP may be

• International trade. Earlier this year the US International Trade Commission began investigating several European coated groundwood paper companies after receiving com-plaints from the American Paper Institute about alleged untair pricing practices. This has enraged many European paper companies who are suf-fering from the downward pressure on prices caused by

the import of surplus paper capacity from the US produc-

Some US companies have expressed gripes about the restrictiveness of other national markets, particularly the Jepanesa. The threat of protection-

 Cost structures. Some of the traditionally strong paper producing countries will face great pressure in the coming years to compete on equal terms because of the high cost structures that prevail in their

domestic markets.
In particular, the Swedes and the Finns are grappling with the high costs of raw materials, energy and labour although both countries look

as though both countries sook as though they are over the worst of their troubles. Some lower cost countries, such as Chile and Brazil, are beginning to make an impact in the global market and this process will surely accelerate. Chila has three peper machines coming on stream this year. Eastern Europe may

cost competitive manufacturing in the coming decade. Sir Adam Ridley, a director of Hambros Bank which has

been appointed to help privatise the Polish industry, says: "If you have good forast resources, low costs, and high then you have greet growth

Over-capacity. The extent of the investment by the paper companies in siding new capacity in recent years may well haunt the world industry for some time to come as it has served to deepen its cyclical troughs. In the next two years the pulp market will add nearly as much capacity as it has in the previous decade with a consequent unpredict-able effect on prices. Even the highly-rational Japanese have been suffering as a result of overly-aggressive investment.

The new mills and machines that have recently been built workers move around them on bicycles or scooters - and the addition of one machine for e particular grade of paper can mmediately affect world prices

of these self-inflicted wounds.

for a product. A modern machine running at full pelt produces enough paper in a day to stretch from Sweden to Sicily.

One of the challenges of the

future will be to try to match investment levels more closely to demand requirements in order to avoid a continuation Consolidation. A greater

CONTENTS

North America: excess capacity in the US end a painful period of transition for Canadian groups

Sweden: remeins dominant in Europo as SCA takee a breather after a hectic period of acquisitions

Environment: losing the grean public relations race Finland: struck from all sides

consolidation of the industry is bound to follow the waves of restructurings and acquisitions that dominated the sector in the 1980s. Companies from across the world have been widening their borizons and Europe in particular bas become the focus of their activ-

ticularly active and in the past few years and their companies ecross e range of industries have invested more in the European Community coun-tries than either the Americans

or the Japanese. Mr Bo Wergens, head of the Swedish Pulp and Paper Asso-ciation, says: "The Swedes have been early Europeans. We ragerd Europe as our bome market because of its geo-graphical location, trudition and culture. It has become the forum for internationalisation and the players in Europe have to be very competitive." Yet this process of consolida-

tion will be closely scrutinised by the competition euthorities in Brussels. The European Commission's investigation into alleged price-fixing agreements in the carton board sector is an indication of how closely they intend to patrol their beat.

All of these issues will create a far more complicated and challenging environment for the world pulp and paper industry in the 1990s. The win-ners that are likely to emerge are those that can demonstrate finoncial strength, flexibility and a above all a determina-tion to understand and satisfy the desires and needs of their

Mr Dermot Smurfit, joint Mr Dermot Smurfit, joint deputy chairman of the Irish peper and packaging company. Jefferson Smurfit Group, predicts: "On quality the basic proposition will be that a pulp, a paper or a package performs first time every time and this will be a prerequisite for doing business in the future."

How quickly the industry will recover its confidence will

will recover its confidence will depend upon the speed and extent of the economic revival in the world's recession-hit markets. But doubtless demand will pick up again, profits will return and confidence will be restored. The peculiar problems of the early 1990s may pale as previous per ceived threats - such as the development of electronic communications - have done. It is now hard to imagine a paperss office; even harder to concelve of a paperless society.



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EUNITED STATES: in the throes of a downturn

Excess capacity in softer markets

severe economic downturn which could lead to a substantial shake-op in the aector, involving takeovers, mill clo-sures and changes in product

To a considerable extent the problems are those of the sector's predictable economic cycle: new mills were planned during the golden years of the mid to late 1980s, when mar-gins were strong, but are now eading to excess capacity just when the market bas softened.

Since paper mills get a very large percentage of their oper-ating profits from the last 10 percentage points of production, their earnings are vulnerable to relatively small changes on both the supply and demand side.

A survey last December by the American Paper Institute, an industry umbrella body, found that 18 new paper machines were expected to come on stream between this machines were expected to come on stream between this year and 1993, adding some 7.5m annual tons of capacity, a rate of increase of some 2.9 per cent a year, to take the total US paper and paperboard capacity to 91.5m tons

capacity to 91.5m tons
Yet this comes as demand is weak - particularly in paper grades; in the first quarter of this year US paper grades production was 2.7 per cent down on the same period of 1990.

The result has been strong downward pressure on prices and earnings, and the problems will be exacerbated over the coming months if the dollar keeps on strengthening. The weakness of the dollar has given a strong lift to US paper exports in recent years, and while this trend continued in early 1991 - paper exports were up 11 per cent and paper-board 22 per cent in the first two months - the recent sharp rise in the US carrency seems certain to have halted the trend.

The impact of all these factors showed up in first quarter

While combined sales of 24 publicly-quoted US paper companies fell just 4 per cent on a year before, after-tax profits were nearly halved. With the

THE US paper and pulp exception of Kimberly-Clark, industry is in the throes of a which has a niche position in the buoyant tissne market, the leading US companies all announced steep declines in

> Mr Gary Palmero, an analyst at Oppenheimer & Co, estimates that US forest prod-ucts shares are now at their biggest discount - over 50 per cent - to book value since

> For some companies the perennial problems of the economic cycle have been exacerbated by the heavy debt loads they took on in the 1980s, both for capital investment and for

One of most heavily geared is Georgia Pacific, the world's largest manufacturer of paper and wood products, which took on an additional \$5.4m in debt to fund its purchase early last year of Great Northern

With the benefit of hindsight, Wall Street has been questioning the timing of that bid, given that it was made right before a cyclical down-turn, making it both harder to aervice the debt and to get good prices in asset sales. Georgia-Pacific has cut group debt through an asset disposals programme to \$6bn, or 62 per cent of capital, but analysts say it could be a long time before the group reaches its target level of 45 per cent.

In sharp contrast to Geor-gia-Pacific, which has been reducing its presance in Europe through its debt reduc-tion programme, stands International Paper, another of the big US companies which been moving aggressively to build up European assets over the past two to three years in the bope of benefiting from the

European Community's 1992 initiative. Amid the recession, the industry is baving to cope with growing environmental pressures. These take three main forms.

to speed more and more on capital equipment to meet trol standards. Over \$1bn is estimated to have been spent in both 1989 and 1990.

Wildlife Service recently designated 11.6m acres of the Pacific North-west as habitat of the endangered Northern

Spotted Owl The result could be severe logging limits on those acres, pushing up the price of wood chip and lumber for local pro-

Thirdly, companies are under strong pressure to use recycled paper in the manufacturing processes, particularly newsprint.

The recession and environmental pressures are affecting different parts of the industry and different companies in markedly different ways.

One of the sectors hardest hit by the recession is the US construction industry, and this has had a knock-on effect on the solid wood side of the

industry, which has suffered a slump in demand.

Market pulp, the raw material used to make paper, has seen its price drop through the floor: northern bleached softward knot the hallmather. twood kraft, the beliwether variety of pulp, has dropped from \$840 a metric tonne in 1989 to a list price of between \$600 and \$700, although analysts believe it is being dis-counted to about \$580 and the price could go lower still.

Linerboard, used for boxes, has so far weathered the downturn fairly well, with prices dipping from about \$440 a ton at the peak to about \$850 now, still well above the cash costs of production.

Newsprint has been hit hard by a downturn in advertising which began affecting the north-east of the US last year and is battering California all at a time when manufactur-ers face another year of new capacity coming on stream. The coated paper market has been hit by the advertising downturn and new capacity coming on stream.

Analysts suggest that some the financially bealthier companies may start to pick off weaker brethren over the next year or two.

HOPES that the pulp business may have escaped its traditional boom-and-bust cycle evaporated rapidly when the price fall began back in early

in April this year, there was a shaky attempt by producers to halt the fall. They hoped it would mark the bottoming out of the cycle, rather than a little hiccup on a continuing downward path.

Measured by price, the market in Europe, which is a reli-able indicator for others in this international market, peaked at the end of 1989. The CIF price at that time for Northern Bleached Softwood Kraft (NBSK) pulp, the prime grade, reached DM1,630 per tonne for pulp made in Europe, mostly in Finland and Sweden, and \$840 per tonne for imported North American chipments. These prices were, respectively, 55 per cent and 75 per cent above the prices at the

began. Since then, the price of European NBSK pulp has dropped to about DM1,050-1,100 per tonne, down 35 per cent, and the US equivalent to about \$650, a fall of about 23 per cent. This swift decline is generally reflected in the other grades of market pulp.

end of 1986, when the price rise

Such a roller-coaster market has a large effect on non-intenas a large enter on homme-grated woodfree paper makers in Europe. The cost of this pulp, an essential raw mate-rial, accounted for 60 per cent of the sales price in 1986. By early 1990 it had reached 80 per cent but by the first quarter of 1991, it was back at 65 per cent It is not always possible for paper makers to pass on these price changes as rapidly as they happen.

The important questions are:

Why did it happen again? When will the market price bottom out ~ or has it?

The answer to the first question can be split into two. The traditional answer is that the regular but rapid cycle of demand and supply is largely responsible. In the late 1980s, growth in paper demand was setting record levels in many parts of the world so those paper makers who rely on an outside source of high-quality pulp needed more. Conversely, plans by market pulp produc-ers to invest in new production capacity were few, and most mills were running full. Nonintegrated paper mills were crying out for pulp. This tight market drove up prices. As well as this traditional

answer comes the relatively new one; the increasing impor-New York | tance in recent years of the

	World p	wip cor	esumpti	on (00) tome	6)		<u> </u>
	1982	1983	1984	1985	1966	1967	1988	1989
UK	1,489	1,855	1,821	1,862	2,083	2,326	2,502 18,297	18,82
EC Eastern Europe	14,498	15,310 12,325	16,192 12,631	15,939	15,789	17,556 14,065	14,302	14,237
Total Europe	39,751	41,936	13,830	13,472	14,048	48,000 14,977	50,873 15,581	52,071 15,521
Canada	11,424 45,198	12,589 48,216	51,164	49,753	51,837	53,990	55,037	55,130 70,650
North America	56,622 19,326	60,805 20,182	64,894	63,225 23,060	65,885 24,105	25,516	70,618 28,253	32,75
Ania Australasia	1,561	1,439	1,577	1.762	1.732	1,756	1,900 6,837	2,00 6,53
Latin America Africa	4,478 1,399	1,420	5,688	5,855 1,320	6,178 1,592	1,983	1,780	1,87
World total	123,138	130,541	139,889	140,157	145,702	154,252	150,273	165,80

■PULP: contemplating the bottom of the cycle

Another journey on the roller-coaster

rate of exchange between the US dollar and other leading currencies. The prime reason in Europe why the price of European produced pulp increased less and fell more than US imports during the current cycle was the value of the US dollar. There were several quarters where Europeans had to reduce thair prices solely because the dollar's value had fallen.

In the US, prices increased in a similar way from about \$480 per tonne for NBSK pulp deliv-ered in the US at the end of 1986, up to the high of \$830 by

A new development is the increasing demand for greater recycled fibre content in paper

mid-1989. As in Europe, US suppliers managed to hold this top US price through to the middle of 1990 before the decline began. It stands at about \$625, 25 per cent below

Tha dollar's value is still the important factor. It was on the back of a strengthening dollar that some top European producers separately announced in mid-April NBSK pulp price rises which averaged DM50, bringing the price to DM1,100. The success of any price rises is as yet unclear, though currency rebates being offered by some Canadian NBSK pulp suppliers - again due to the value of the dollar - will not

help stabilise the price.

that the question of when the market will bottom out is being asked by anxious paper makers as much as by pulp suppliers. The prospect of a great increase in the supply of market pulp has diminished, at least in the minds of most pulp buyers and sellers. This is partly because there have been some postponements of expan-sion plans as a result of the poor market and declines in overall company performance. However, there is still a lot of

new tonnage on the way, par-ticularly hardwood pulp from South America Notabla among the postpone-ments of capital investment was the decision in December 1990 by Sweden's Stora to post-pone indefinitely its plan to raise bleached eucalyptus kraft pulp capacity at its Celbi sub-sidiary in Portugal.

Even more significant is the likalihood that of three well-known plans for new pulp mills in Finland, only one, planned by Metsa-Botnia at the Rauma mill, is likely to go ahead in the short term, so effectivaly removing about 800,000 tonnes a year from the

industry's new capacity list.
US production of market
pulp will continue to grow and
there will be more available for export. According to Mr W.C.
McClelland, president of Union
Camp, US market pulp consumption is projected to grow
by less than 1m tonnes between 1990 and 1995, with only 60 per cent of supply from domestic sources. This modest growth, plus new capacity means more for export. Mr

McClelland expects US pulp exports to continue to grow at over 3 per cent annually, with western Europe still the largest

market, followed by Japan.
The overall short term view
of this new capacity growth worldwide, particularly of the main kraft pulp types, must be that there will continue to be some degree of oversupply, in spite of the project postpone-ments. On the other side, there Is little prospect that the growth in demand for paper is going to improve significantly. Norscan pulp mill stocks are et a level usually associated with

They hoped it marked the bottoming out of . the cycle, rather than a little hiccup on a downward path

a weak market. Taking these into account, there seems little likelihood of significant price improvement in 1991.

However, prices have fallen less this year compared to the falling prices of 1990. From that point alone, the bottom appears to have been reached. strengthen, this may be an opportunity for European suppliers to increase prices in European currencies further ~ though it is equally likely that the US will offer more currency rebates to make up for a

stronger dollar. There's no reason to believe that the tradition of swift cycles in the pulp business has

changed. But it looks as

though it will be well into 1992 before any steady improvement can be expected.

There are some other underlying transfe. The period of acquisition and merger has reduced the number of inderendent market pulp produc-ers. There are more pulp mills which have, within their own group, paper mills which want their pulp. This so-called tied tonnage is not true market puip, and it can be a useful way of tieing up production in times of trouble. Some compa-nies, such as South Africans Sappi and Mondi, have invested in European paper producers partly because it secures a supply for their pulp.

The cost of entry to the pulp business is now higher than over. There are stringent envi-ronmental restrictions and reg-plations to be met, particularly in the northern countries. A kraft market pulp mill has to be large to be viable and the capital cost is high. However, there are still

going to be newcomers, both in South America and Asia, espe-cially indonesia led by Indah Kiat based in Sumatra.

Another new development is Another new development is the increasing demand for greater recycled fibre content in paper, particularly printing paper and paper used for stationery, which are prime users of market pulp. At present, the quality of NBSK, particularly its strength, make it an essential ingredient for many of these types of paper. But its these types of paper. But its proportion may diminish and new technology may allow

greater use of recycled fiber.

Another new factor is the arrival of increasing quantities of a different market pulp. bleached chemi-thermome chanical pulp, thankfully shortened to BCTMP. About 12 new BCTMP lines or mills will have started by 1992 in Can-ada. However, bleached kraft pulp remains the most common market pulp - about 75 per cent of all chemical market

The small size of BCTMP milis is also a reflection of another longer-lasting trend or wish: the continuing search for a new chemical process (environment friendly of course) to make sufficiently strong pulp on a smaller scale

At this lower capital cost, some paper mills could install such lines alongside their own mills, so partly replacing expensive market pulp. There are some candidate processes being promoted, but there has been no sign of a breakthrough,

Peter Sutton

Grade	1989	1990 (p)	1991 (f)	% changa 1990/91
Paper & paperboard	18,520	16,487	16,745	1.7
newsprint printings &	6,607	9,075	6,235	1.8
writing paper	±3.204	3,588	3,875	2.4
other paper & board	3,709	3,804	3,835	0.8
Pulp exports	8,347	7,686	7,870	2.4 0.8 2.4
Total	24,867	24,153	24.615	1.6

Canadian pulp and paper shipments (000s of tonnes) by destination						
Destination	1989	1990 (p)	1991 (f)	% change 1990/91		
Canada	4,886	4,703	4,665	-0.6		
US	12,993	13,131	13,235	0.8		
Overseas	6,988	6,316	8.715	6.3		
Total	24,867	24,153	24,615	1.9		

■CANADA: àn industry holds its breath

Painful period of transition

THE Canadian pulp and paper industry is not only in the depths of a severe cyclical overcome a steady erosion of its long-term competitiveness.

"No doubt there are many people in our industry holding their breath, waiting for the recession to end, waiting for things to be the same again, said Mr Arkadi Bykhovsky, president of Noranda Forest Sales, at a recent conference in Vancouver. "But it's different

now. Things are changing."
Similarly, Abitibi-Price, one
of the world's biggest newsprint producers, warned in its
latest annual report that "the industry is going through a painful period of transition which will transform it permanently."

Perhaps the most fundamen-

tal adjustment is that demand is shifting from the old, high-quality timber which is the hallmark of Canada's forests to cheaper, faster-growing woods from warmer climates which are equally suitable for lower-grade pulp and perper as mell grade pulp and paper, as well as the mushrooming market in engineered wood products. The upshot is that Canadian producers' competitiveness has steadily declined in the past decide. Their recognition output

decade. Their newsprint output of 9.1m tonnes in 1990 was 60 per cent of total North American production, down from 64 per cent in 1988.

While Canada still accounts for more than a quarter of the world's market pulp capacity, operating rates of Canadian mills have slipped from 93 per cent in 1989 to 82 per cent last year. The Canadian Pulp and Paper Association expects a further drop to 78 per cent this

The heart of the Canadian companies' problem is that they have a higher cost structure than many of their foreign rivals. Their workforce is more heavily unionised. Many of their forests are less accessible and the technology of many pulp mills is outdated.

With demand for recycled newsprint rising, Canadian mills have the added disadvan-

Top ten cross - border paper and board products selling countries, 1988 - 90 Austria Australia

tage of being further away from the urban centres which provide raw material in the form of old newspapers.
According to Price Waterhouse, the cost of producing kraft wood pulp in eastern Canada is about one-third higher than in the southern US, where trees grow faster and wages are lower. Producers along the British Columbia coast, where access to forests

is especially difficult, have an

lighted the bind in which the Canadian industry finds itself. With their high costs, the pro-ducers' top priority has been to try and hold up prices. In their efforts to do so, almost all have been forced to got cut cut the been forced to cut output by working shorter hours, or closing pulp mills and newsprint

The battle to maintain prices has been a foriorn one in the face of the severe recession and ever-rising capacity from

The heart of the Canadian companies' problem is that they have a higher cost structure than many of their foreign rivals

even wider cost disadvantage. Tighter environmental regu-lations are imposing a heavy financial burden on the industry. Canadian pulp and paper mills have been slower than their US counterparts in installing secondary treatment facilities for their efficient. The British Columbia Council of Forest Industries estimates that mills in the province will spend just over C\$1bn between 1989 and 1993 to virtually eliminate dioxins and bring down the organo-chlorine content to 2.5kg per metric tonne of pulp. MacMillan Bloedel estimates that it would cost C\$300m for its pulp mills to meet environmentalists' demand of an efflnent discharge of 1.5 kg for each

tonne of pulp produced.
The recession has high-

projects begun during the good years of the late 1980s. Under pressure from their customers, Canadian producers were recently forced to rescind a 5 per cent rise in newsprint prices which was due to take effect last January. Earnings have slumped. Abi-

tibi-Price earned a meagre C\$1.8m from newsprint operations last year, down from C\$76.5m in 1989 and C\$207m in 1988. Mr John Johneon, analyst at Richardson Greenshields in Toronto, fore-casts losses this year at most of the big Canadian forestry companies, including Abitibl, MacMillan Bloedel, Canadian Pacific Forest Products and Fletcher Challenge Canada. Noranda Forest, Macblo's con-trolling shareholder, expects a

1991 loss similar to last year's

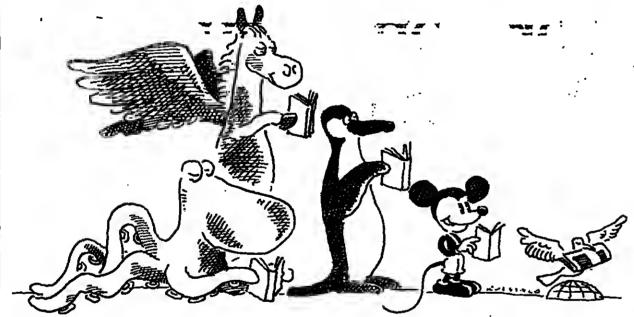
in the short-term, the indus try is crossing fingers for an upturn in demand and a weakening of the persistently strong Canadian dollar.

It is cutting costs by seeking wage concessions from workers and closing down its least efficient operations. Forestry workers in British Columbia are asking for no increase in real wage rates when their con-tract expires later this year.

The companies are increas ingly turning attention to their longer-term viability. Their strategies vary. MacMillan Bloedel, for example, is con-templating further acquisitions in the US. Fletcher Challenge Canada is seeking an equity partner for its large Crofton pulp and paper complex in British Columbia, and is putting some of its wood products operations in five selections. operations up for sale.

Abitibi Price sees the future in high-quality, high margin products, including ground wood paper used for forms and directories. A recent federal government report on the state of the industry suggested that the future lies in a greater emphasis on value-added prod-ucts and a move away from exploiting virgin forests towards more productive plantation forests.

> Bernard Simon, Toronto



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SWEDEN: remains dominant in Europe in spite of a drop in profits

Unruffled by the economic gloom

ALTHOUGH Swedish pulp and paper companies saw their profits drop on average by 35 per cent last year, the had economic news should not obscure recent developments that will recent developments that will strengthen the industry's dominant position in Europe. Sweden's Social Democratic

or time (state)

government has removed several long-term threats to the industry. The most significant was its decision to abandon plans to phase ont nuclear power in the mid-1990s. As the country's biggest industrial oser of electricity, forestry companies feared that their power costs could double if nuclear abolition went ahead.

The probability that the non-socialists will form the next government after September's elections should improve pros-

SVENSKA Cellnlosa Aktiebolaget (SCA), one of

Sweden's leading forestry com-

pects for the retention of nuclear stations beyond the 2010 deadline for a complete nuclear shutdown established by parliament a decade ago.

The proposed environmental tax on chlorine emissions threatened to increase the industry's production costs. But the government dropped the proposal after the industry successfully argued that it was successfully argued that it was undertaking a large-scale investment programme to reduce the use of chlorine dur-ing the production phase. The nig the production phase. The cleaner manufacturing pro-cesses being introduced will allow pulp and paper mills to meet the lower emission levels for chlorine mandated by the government as a substitute for the chlorine tax.

Sweden's expected applica-

fears that the industry would face potential barriers in the internal market after 1992. The country's previous refusal to join the EC was one factor behind the rush to acquire production facilities in Europe during the last few years.

The Swedish forestry sector is not only benefiting from these political changes. The economic outlook has brightened in the last few months.

The gathering strength of the dollar has improved the competitive position of Swedish pulp producers since US producers back the second position of the s ducera had taken advantage of the weak dollar to make inroads into the European mar-

Although Swedish forestry

tion for membership in the European Community removes refrained from making fore two decades in managing pulp casts for 1991, earnings could be better than analysts originally expected. One optimistic indication is that Stora, Europe's leading pulp and paper producer, managed to halt its decline in profits dur-

ing the fourth quarter of 1990. The market upturn is sorely needed as Sweden's leading forestry companies face strained balance sheets due to a series of acquisitions both at home and abroad that have restructured the industry in the past year. Stora has emerged as the

world's third largest forestry company with its DM4bn take-over of Feldmühle Nobel (FeNo) a year ago. The merger of the two companies, which

two decades in managing pulp and paper mills in Sweden, was significant for Stora besides increasing its size with sales of SKr62hn and e workforce of 69,700 persons. The addition of FeNo, which

has an annual paper produc-tion of 2.3bn metric tonnes and is Europe's largest maker of is Europe's largest maker of printing paper and cartons, transformed Stora into the world's higgest prodocer of newsprint and fine paper. The deal gave Stora a solid position in the manufacturing of lightweight coated magazine paper, a product area in which it was previously weak.

previously weak.
While the FeNo acquisition upgraded Stora's product line, it eliminated its dependence on the cyclical external market

Buyer	Target	\$m	Year
Stora (Sweden)	Feldmuehio (Germany)	2,400	1990
Stone Container (US)	Cons-Bathurst (Canada)	2,189	1989
Svenska Cellulosa (Sweden) -	Reedpack (UK)	1.832	1990
Pembridge (US)	DRG (UK)	1.098	1989
Wiggins Teape (UK)	Ariomari Prioux (France)	966	1990
Fletcher Chellenge (NZ)	UK Paper (UK)	480	1989
Daishowa Paper	Reed Int. North American		
Manufacturing (Japan)	paper units (Canada)	479	1986
Svenska Cellulosa (Sweden)	Peaudouce (France)	350	1988
Feldmuehle Nobel (Germany)	Papeterie]	
	Beghin-Corbettem (France)	335	1989
International Paper (US)	Aussedat Rey (France)	320	1989

Europe's biggest buyer of pulp, FeNo provides a captive mar-ket for Stora, which will become a net buyer of pulp. The resulting structural integration and balanced product mix is expected to provide co-ordination gains of SKr600m to SKr800m annually, according to Mr Bo Berggren, the Stora

Stora has gained through FeNo an important manufac-turing and marketing position in the heart of Europe. It had

emestic rivals, including SCA and MoDo, in establishing a presence on the continent. Prior to FeNo, Stora's main facilities in the EC were limited to its eucalyptus pulp mill in Portugal and a fine paper producer, De Forenede Papirfa-brikker, in Denmark. In splte of Sweden's inten-

tion to join the EC, Swedish forestry companies need manufacturing facilities in the centre of the continent in order to be close to consumers as com-

petition intensifies in the post-1992 internal market. The acquisition of FeNo by SKr20bn to Skr31.7bn. Stora is selling several subsidiaries to finence the purchase, including the tissue producer Finess to Duni, a Swedish paper group, as well as parts of the Tarkett flooring business.

It is also seeking a German buyer for the engineering operations of FeNo. John Burton

SCA: lull in a hectic period of acquisitions

Expand or become a target

panies, is pausing for breath after a hectic period of expan-sion that began just over three years ago. But many observers do not believe it will sit on the fence for very long.

The company's president and chief executive officer Mr Sverker Martin-Löf makes no secret of his wish to see SCA con-tinue to strengthen its market position with a balanced high value product strategy centred on western Europe that has transformed the company from being essentially a producer of raw materials into a dynamic and specialist paper group. "You simply have to expand or you become a target for take-

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over yourself," he explains. Financial analysts are conmore than it could chew with its Skr5.884bn acquisition of Reedpack, the UK paper and packaging company and the purchase in December for SKr1.4bn of a 32 per cent voting stake and 16 per cent of the equity in MoDo. Sweden's third largest forestry group.

largest forestry group.

In 1990, SCA's pre-tax earnings fell — but opinion differs by how much. SCA argues they dropped by 22 per cent to SKr2.127bn, blaming overcapacity and price competition in the company's consumer business markets for the setback. Independent analysts, however, argue the profit decline

James Capel argues SCA could not have included the cr333m profit made from its	Gr
sinvestments in its hygiene of packaging areas in its cal- lation. If the company had	Profits Sales
one that the fall would have en 34 per cent to SKrl.794bn.	

any prognosis for SCA's financial performance this year until the annual shareholders meeting in June but it seems likely that the 1991 profit result, however calculated, will be down on last year. It is likely to be a more modest decline than in 1990 and presages a further rise in profitability next year according to both James Capel and Kleinwort Benson Securities in London. It is true that SCA's finances weakened last year. High investment needs and the Reedpack and MoDo share acquisitions had to be met and

at its Ortviken plant in Sweden. Net debt increased by SKr13bn in 1990 which cut into the company's debt-equity ratio and interest cover. Interest costs rose to SKr1.35bn, an increase of SKr500m while interest cover

so did the new LWC machine

	1986	1987	1988	1989	1990
Profits	1,399	2.050	2.603	2,712	2,127
Sales	15,217	15.679	20.850	24,853	31.122

pared to a 4 per cent company target. Mr Martin-Löf argues that SCA's financial position continues to be satisfactory. Last year the company had a 42 per cent ratio of sharehold-

ers' equity to total assets which included forest and power surplus values com-pared with 55 per cent in 1989. Moreover, SCA has embarked on a divestiture pollcy to sell off parts of its acquired units that fall outside its core business areas. Lest year the company made dives-titures totalling SKrl.3hn while preliminary agreements that have been reached account for a further SKr2.2hn of which SKr500m will be obtained by the end of 1993.

What is impressive about SCA is the clear-sightedness of its strategy which in only a short period of time has trans-

value core business and lim-

the durselves to growth inside the western European market," explains Mr Martin-Löf.

The company has concen-trated its activities into what are administered as three dis-tinctive highly refined product husiness areas — hygiene goods, packaging and graphic paper. The strategy has sought to establish economies of scale, to develop greater value added products and to spread the risks to avoid the consequences of the traditional cycles of the pulp and paper industry. Moreover, SCA has become much more consumer market than producer driven. It was in October 1987 that SCA announced its intention to raise SKribn to acquire strate-gic companies in peckaging and hygiene products through

a new share issue. The first

douce, the leading French dis-posable nappy producer for FFr1.962bn, making the com-pany Europe's largest producer of fluff-based hygiene products in diapers, as well as paper to deal with menstrual hygiene and adult incontinence.
In July of that year Italcarta, Italy's largest corrugated board and recycled paper products

group was purchased for SKr500m by SCA and followed up only three months later with a SKr1bn majority share-holding in Laskirchen, an Austrian manufacturer of printing paper and hygiene products. In 1988 SCA spent SKr3.4bn to acquire foreign companies with a combined sales of nearly SKr7bn and 6,600 employees. Last year, the purchase of Reedpack turned SCA into Europe's leading transport packaging company with a 42 per cent growth in its sales as a result to SKr7.799bn.

As a result the packaging business area is roughly equal in annual sales to the hygiene product activities at about SKri2bn. However, the company's graphic paper produc-tion has a substantially lower SK1500m while interest cover formed the company. We have purchase came in 1988 when thon has a substantially lower mean the full integration of dropped to 2.6 per cent, com- developed a balanced high SCA's hygiene sector turnover figure. Hence, the MoDo into SCA is unclear.



potential importance of last December's acquisition of a large slice of MoDo's stake, Mr Martin-Löf insists SCA is not interested in taking over MoDo in a grand merger. What he wants to do is to find ways of bringing together the graphic paper business areas of the two companies. If this does happen it would bring the third leg of SCA's core business up to balance with its

He believes there will be moves for greater concentra-tion in the structure of the European forestry industry during the 1990s and Sweden will not be excluded from that process. Whether this will

The company faces some real difficulties. In its hyglene division the diaper price war with Procter and Gamble has hurt with a 14 per cent drop in operating profit while in packaging SCA's kraftliner production was hit heally by the week. aging SCA's stratumer produc-tion was hit badly by the weak-ening US dollar and lower prices although a good perfor-mance from test liner and corrugated board.

There was also a 37 per cent drop in the company's graphic paper profits — mainly due to heavy costs incurred in Its Swedish operations with the expense of the new LWC project at Ortviken, lower pulp prices, stagnant newsprint prices and reduced capacity.

Last year's profits dip and the uncertainties about 1991

cannot disguise SCA's success company has become increas-ingly diverse and selective over the past 10 years or so, reflecting the sophistication of an industry that has been consumer demand and techno-

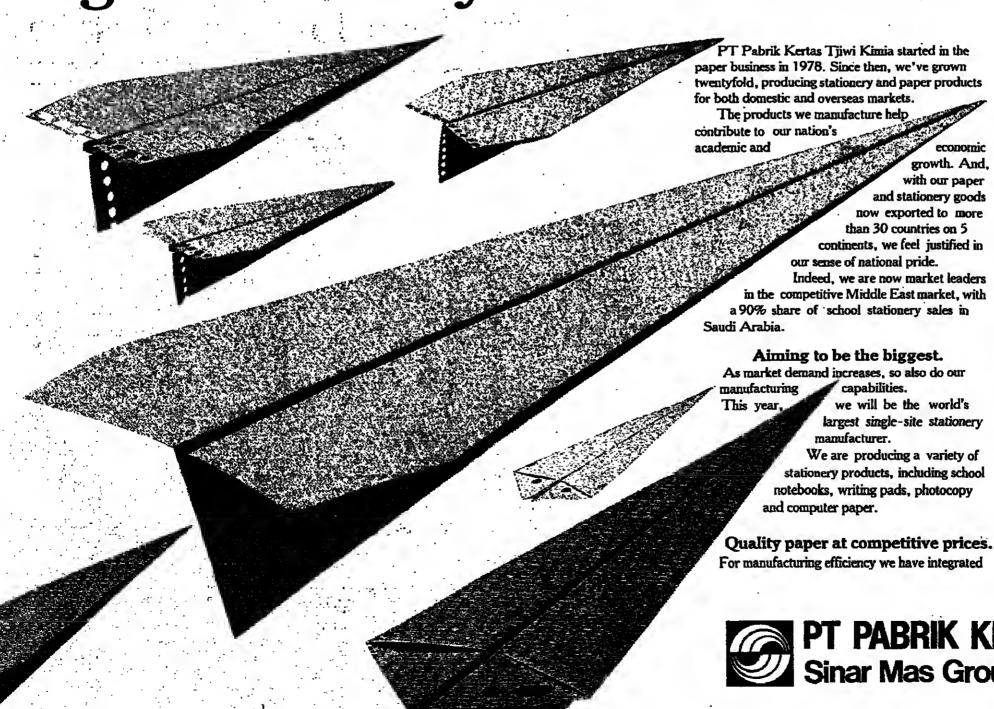
Mr Martin-Lof is proud of SCA's increasing production of recycled fibre newsprint which accounts for about half the company's annual output, making SCA the second largest producer from waste paper in Europe. But it should not be forgotten that the company retains an estimated 1.8m hect ares (4.6m acres) of productive forest land, mainly in northern Sweden with a sales figure of SKr3.9bn last year and an oper-ating profit of SKr48im. This does not mean that SCA

will continue to be based in Sweden. Last year it moved the headquarters for its packaging business to Brussels. Mr Martin-Lôf says he would like to move the company's headquar-ters away from Sundsvall in northern Sweden as soon as possible and he does not mean

to Stockholm.
SCA is thinking and acting in a transnational way. Indeed, as SCA becomes even more sensitive to the changeability of its consumer markets, it will not be surprising if it does not say goodbye to Sweden at some point in the 1990's.

Robert Taylor

Indonesian paper company grows twentyfold to become high flyer.



our production facilities. By manufacturing our own chemicals and pulp we can control production quality of a large variety of stationery products. All are processed centrally to guarantee a smooth production

есопотіс

growth. And.

with our paper and stationery goods

now exported to more

than 30 countries on 5 continents, we feel justified in

our sense of national pride.

capabilities.

manufacturer.

we will be the world's

largest single-site stationery

We are producing a variety of

stationery products, including school

Indeed, we are now market leaders

And by using modern high-tech machinery, we can sell high quality paper at competitive prices, giving Indonesia the opportunity to compete worldwide.

Responsible Growth.

We understand the need for responsible growth in the paper industry. Our commitment to the environment is evidenced by our state of the art waste treatment facilities, and our operations using waste paper, agricultural waste and recyclable products:

Flying high.

Domestic paper and stationery needs show a rapid increase in line with the growth and development of our economy, and our nation's schools, educational institutions, and businesses.

The export market shows great potential, especially in view of the limited number of paper manufacturers in neighbouring countries, and their inability to meet the growing needs of their own

The challenge now is for PT Pabrik Kertas Tjiwi Kimia, through a combination of professionalism and hard work, to realise the potential these opportunities represent. And to fly ever



■DISTRIBUTION: groups widen their horizons

A relentless drive towards the end-users

AT one time the world's big paper companies were content to cluster their activities at the commodity and of the market. Located near the forest-rich regions in North America and Scandinavia such companies made lucrative, cyclical livings from manufacturing mainly commodity grade papers and selling pulp to specialist paper

No more. In the past decade most of the big paper compa-nies throughout the world have staged a relentless drive towards the end-users of their products becoming more vertially-integrated in the process. Both in terms of product range and geographic coverage these paper companies have substantially broadened their busi-nesses and have begun to discover what the uitimate consumer thinks and wants.

Mr Bernt Löf, chief executive of MoDo, the Swedish paper group, says: "The people that will suffer are those who have not realised that the pulp and paper industry is no longer solely a production-oriented industry. It has to be a market-

One of the most active bat-tlefields in this process has been Europe, which has been swept by a wave of acquisitions in recent years. Much of this consolidation bas been conducted by the Europeans themselves, but several paper companies from outside the European Community have moved into the region in attempts to diversify their regional exposure, flatten their industrial cycles, and build markets close to rich European

So, for example, in recent years Stora, the Swedish com-pany which forms Europe's biggest paper group, has bought Felmühle Nobel of Germany. International Paper, the large US corporation, has bought Aussedat-Rey, of France, and acquired a major ity stake in Zanders Feinpa-

piere, of Germany. Fletcher Challenge, the New Zealand conglomerate which owns paper operations in North and South America as well as Australasia, has bought UK Paper, a fine paper company. SCA, another Swedish group, has strengthened its position in transport packaging through the acquisition of Reedpack, of the UK.

chant with leading positions in the UK, French, Irish and Bel-

ginm markets and a strong

presence in Spain, Italy, the

network sells over 1m tons of

paper a year, of which 35 per

cent comes from AWT's group

Mr Walls believes that this distribution network gives the

company great strengtha in

terms of gaining intimate

knowledge of the customer's

needs and securing outlets for its products. This year, for example, AWT will have few

difficulties in being able to sell

products made at its Soporcel mill in spite of severe over-ca-

Two-thirds of western Europe's paper merchants are

owned by paper makers but the overall figure conceals

some distinct regional varia-

tions. For example, in France almost all paper sales are made

through merchants owned by the big paper companies com-pared to 2 per cent in Ger-

The highly attractive Ger-

man market may be difficult to

consolidate because nearly all the big paper distributors are family-owned merchants but

greater efforts will be made to

prise the market open over the

next few years. The other main plank in

AWT's strategy is to promote the use of branded products, such as its Conqueror range of

business stationery, which can

attract customer loyalty and command premium prices. But

Mr Walls believes that "brand-ing is something that is not particularly well understood or

well used in the paper indus-

try". Paper companies will spend much effort in the next

few years in creating and developing branded products but these will crucially depend

on good quality, broad product ranges, and consistent levels of

As Mr Walls says: "You have to support a brand and provide

a sustained message over a considerable period and that

applies whether you are selling

chocolate bars or bits of

omy is in and the global slump

that Finnish forest companies have the money to embark on large acquisitions. Metsä-Serla,

for example, paid FM2.64bn to gain a 33.1 per cent stake

The relaxing of Finland'e

strict foreign investment laws

is going to become a big issue for the Finnish forest industry.

Apart from a government com-mittee presently drafting for-eign investment legislation,

the European Economic Area (EEA) will most likely compel

Finland to do away with the free and restricted share sys-tem, which has belped to keep

forest groups in friendly hands. Hostile takeovers by foreign forest companies have heen

impossible since foreignere cannot directly own restricted

Mr Harri Piehl, president of

Kymmene, the country's sec-ond largest forest group, who was recently elected as the

new chief executive, believes

that Finland will be obliged either through EEA or even-tual EC membership to take a more lenient attitude towards

"I believe that there is no

reason why ws should not allow an infusion of foreign capital in this [forest] indus-

trial sector. This is providing

that it is an interesting invest-

ment [to foreigners]," said Mr Piehl.

After exceptionally good

years, Finnish forest groups

have eeen their profits fall. According to Caffi, the after-tax profits of Finland's public-

ly-quoted forest gronps fell in 1990 hy 64 per cent against the

The prospects for 1991 are

gloomy. The operating margin

of all Finnish forest groups with respect to turnover is

previous year.

foreign ownership.

within UPM.

hitting the paper industry, some analyets are eceptical

John Thornhill

pacity in its sector.

letherlands and Finland. This

However, moving into new markets and countries is not without risk. Many companies are burdened by the dehts they took on to finance their acquisitive growth and in some cases ement teams have been fully stretched by the complexlties of working in different countries with varied cultures and working practices.

Consumer-related markets require very different skills and disciplines to those required in the commodity sector and soms companies have received brutal lessons in the subtler arts of marketing from more experienced competitors. The fearsome competition that Molnlycke, SCA'e subsidiary, has faced in the diaper market from Procter & Gamble, the US consumer products group, is just one example of the dan-gers of straying too far outside

a company's area of expertise.
Yet one of the most intriguing industrial groupings to nerge from the recent round of restructuring has been the merger between Wiggins Teaple Appleton, of the UK, and Arjomari-Prioux, of

at the end of last year. The combined company, to be named Arjo Wiggins Teape, has strong skills in manufacturing high value-added specialist papers but only has a limited investment in forestry and pulp operations. For this reason, the company decided to move further away from the commodity end of the market towards specialist sectors where it could focus its sales efficiently through a network

of controlled paper merchants.

As Mr Stephen Walis, chief
executive of the new company,
explains: "When we looked at the strategic opportunities that we had to expand our business we decided to go down-stream to seek a closer relationship with our customers. If you want to expand your product range it is important to have control of that distribution."

The combined company runs Europe's largest paper merPOPULAR myths about the paper industry grow like mush-rooms on dead trees.

The public reads about the frightening rate of global deforestation and coninces up images of voracious paper companies hacking down tropical forests to produce mounds of newspapers and packaging materials that are then mindlessly discarded. They learn that paper prod-

ucts constitute between 20 to 55 per cent of all the rubbish that is deposited in rapidly-diminishing landfill sites or hurnt in incinerators and hiame the industry for creating the waste. Health scares about the harmful effects of chlorine bleaching of pulp and the spread of dioxins also inflame public passions. Political pres sure mounts for more widespread recycling schemes and cleaner production processes and simplistic slogans such as "Save a tree - use PVC" abound.

The paper industry has reacted to this popular envi-ronmental onslaught like a rabilit transfixed by the head-lights of an on-coming truck. It rails at public ignorance and cavils at its misconceptions, but as one consultant recently told a pulp and paper conference in Leningrad: "The industry is clearly losing the public relations race.

Yet in spite of its image, the pulp and paper industry has an environmental record of which it can be proud and can muster some convincing arguments to bolster its case

For example, in reality, less than 1 per cent of world's pulp requirements come from tropical forests; the felling is mainly due to the need for fuelwood and an increase in arable land. The vast bulk of the world's pulp needs comes from managed forests which are grown and harvested like any other crop. The only big difference is the time-scale: it takes between 60 to 120 years for pines to mature depending on the cli-

Far from eroding the world's forest resources the industry

Type of pape

Printings/writings Hygienic papers

Case materials

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■ENVIRONMENT: losing the green public

relations race

An industry that feels misunderstood

has in many countries been increasing them. The Swedes and the Finns, for example, are growing more trees than before and legislation ensures that every tree that is cut down has

to be replaced.

The industry has invested heavily in introducing cleaner production technologies to eliminate harmful effluents and is striving to replace chlorine bleaching to reduce the levels of dioxins in its papers. Recycling has been promoted and waste paper has been incorporated into fresh products wherever possible. How-

ever, pulp cannot be re-used indefinitely ensuring that there will always be a demand for virgin fibres.

Although the pulp and paper Waste paper usage 1989 ontent (%) 101 1,270 449 1,198 594 105 193 1,162 362

industry has undoubtedly done much to clean up its act, much remains to be done to satisfy the demands of the well-in-formed environmental organisations which still find fault

with many industry practices. Part of the reason why these organisations pay such close attention to the paper industry is that they believe it could provide a fine ecological model which other industries could sensibly emulate.

Ms Renate Kroesa, of Green-peace, explains: "Since paper is recyclable, bio-degradable and made of a potentially renewable resource, the pulp and paper industry has the unique potential to develop sustainable production technologies."

To this end, Greenpeace calls for improved forestry practices that encourage bio-diversity of species, a reduction in the use of fillers, coatings and inks in production process maximum use of efficient recycling systems. It demands an overall reduction in paper consumption levels - particularly among Western countries and the development of eus-

tainable levels of paper usage. moment think in linear terms. We have to adopt circular thinking," Ms Kroesa says. The paper industry ignores such well-targeted criticisms at

its peril. The environmental organisa-tions greatly affect consumer attitudes towards paper prod-ucts with potentially enormous commercial repercusions.

Mr Richard Cockram, a con-sultant at NLK-Celpap which takes a close interest in environmental issues, says: "For the first time a paper buyer in Germany can directly influence the environmental poli-

cies of pulp mills in Canada."
He points to the example of the German retailing group, Tengelmann, which responded to scares about dangerous levels of dioxins by changing the furnishes on all its toilet tis-

This prompted a similar response from its retailing rivals which transformed the entire German market within three months.

"Virtually no pulp or paper mill is immune from environ-mental legislation even if little or none is in place in the region where the mill is located, because all exports will have to meet international standards or be excluded by market forces," Mr Cockram

Mr Bernt Lof, chief executive of MoDo, the Swedish paper group, agrees. The companies that do not acknowledge that environmentalism is here to stay will not survive in the future," he says.

If consumers are prepared to buy magazines which use rougher paper with lower brightness levels then companies with lower that the forced to adapt. Those that the to will thrive; there that the not will particle. those that do not will perish.
Mr Lof believes that increasing green concerns can be a source of opportunity as wall as a threat

"I see environmentalism as e favourable factor in terms of competitive advantage," he says, pointing proudly to the fact that a quarter of his company's SKr2bn investment budget has been spent on environ-

past four to five years.

Ultimately, environmental issues concerning the production and use of paper products affect more than just the industry. They touch on how societies belance their economic, cultural and ecological priorities.

One example of how great some of these dilemmas can be

is the famous case of the spotted owl, which lives in the for-

ests of the western US.

Mr Hingh Whalen, 2
vice-president of Canadian
Pacific Forest Products, recently told a paper confer-ence in London that President Bush had last year signed legislation proposing that addi tional forest lands should be preserved for the owls' habitat fter they had been declared an endangered species.

Mr Whalen claimed that the

value of this forest land equated to a \$95m for each pair of owls while at the same time the forest industry faced poten tial job losses of up to 100,000 over the next 10 years.

"Does this make sense to yon?" Mr Whalen asks.

John Thornhill

Oct 23

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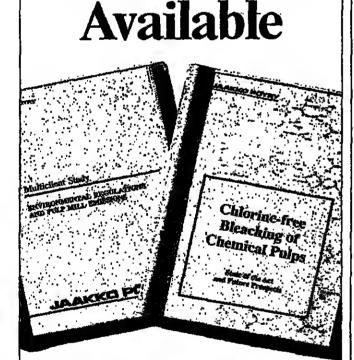
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■FINLAND: companies are under pressure to restructure

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Prospects for the Polish Forest Products Industry

NLK-Celpap have just completed a strategic sectorial analysis of prospects for the Polish Porest Products Industry which was financed through the Swedish Agency for International and Technical Cooperation (BITS). A more detailed phase of that study is now planned. It will focus on specific enterprises in the sector and will be carried out in co-ordination with a Financial Advisor to be nominated by the Polish Ministry of Ownership Changes which will deal with the privatisation of this industry sector. The study is the result of the Swedish Government having responded favourably to a request for help from the Polish Government.

Mr. Raoul Buser or in his absence Mr. Anders Ljunggren NLK-Celpap, P.O. Box 74, S-60102 Norrköping, Sweden. Tel: +46-11-240100 Fax: +46-11-170404

NLK-Celpap



Kymi Kymmene puip mili at Kuusankoski

Results of 1	orest groups (po	st-tax Figm)
	1989	1990
Enso-Gutzei1	845	255
Kymmens	1,007	364
Metea-Seria	470	-134
United Paper Mille*	636	584
Owner Laber Wille	Source: Confederation	on at Finnish Fore

cent in 1990 to under 10 per cent this year, according to

The high level of indebtedness is another cause for con-carn. The net debt of all Finnish forest companies amounted about 60 per cent of their turn-over in 1990 and at Kymmene it was much higher, reaching about 80 per cent of its turn-

The corresponding net debt figures in Sweden and the US amount to 35 per cent and 15-20 per cent of turnover respectively, according to Caffi. Interest payments for all Finnish companies amounted to 6-7 per cent of their turnover against 3-4 per cent in Sweden and 2-3 3-4 per cent in Sweden and 2-3 per cent in the US.

Mr Piehl pins some of his hopes on the new right-wing government made up of the centre, conservatives, Swedish People's party and Christian League. He believes that one way of restoring investment confidence in Finland is if the new Government can put together an effective long-term economic package, as well as commission a large 1,000MW nuclear plant in the next two

Attempting to keep wage increases to a 1.5-1.7 per cent this year, Mr Plehl said that another important measure taken by the forest industries to lower production costs has been through raw material

Normally. Finnish forest companies agree on a yearly

basis with the powerful Central Union of Agricultural Producers (Cuap) over wood prices. No such agreement was reached this year and forest companies are asking for a 15 per cent reduction in wood prices for the first half of 1991 and a further 15 per cent during this coming autumn. Even if Caffl believes that

stock wood prices are 30 per cent cheaper in central Europe than they are in Finland, national forest companies are also studying ways to buy greater amounts of wood from

The bulk of Kymmene's 1.6m cubic metres of wood came from the USSR. Another Finnish forest company, state-owned Enso-Gutzeit, which has formed a joint venture with the USSR to build a large pulp mill in eastern Finland, imported 2.2m cm of wood from the Soviet Union last year.

According to Mr Piehl, the fall in trade with Moscow has

been another factor which has hit the Finnish forest industry and forced some mills to either rationalise or shut down. The forest industry sector,

which employs between 70,000 and 75,000 people, has laid off some 6,500 people and another 6,500 are working a shortened week. Some analysts believs that by the end of this year the situation may get worse: a total of 10,000-15,000 people may end up losing their jobs with another 10,000-15,000 per-sons working shortened weeks.

Environmental issues do not have the same impact in Finland as in central Europe. "Finns accept the fact that trees can be used for industrial and recreational purposes. Contrary to central Europe, no one talks about killing a tree in Finland," says Mr Piehl.

Metsä-Serla is another com-

pany which has been especially active in the last two years. In 1989, it sold all of its paper tissue operations within the EC to Papisrwerke Waldhof-Aschaffenburg (PWA) of West Germany. Pive months later, in December, Metsä-Serla lost a battle with Fletcher Challenge of New Zealand to acquire full ownership of UK Paper, the leading fine paper group. At the beginning of 1990, Metsä-Sarla surprised everyone by striking at UPM.

Mr Janne Simelius, a Metsä-Serla vice-president who heads the paper and paperboard divi-sion, believes that the future success of his company hinges on a more effective distribution system to its customers as well as on producing higher quality

Taking a definite step in this direction, Metsä-Serla acquired last year full ownership of Alliance Paper, a large UK paper wholesaler, and last month it purchased Hedsor, the UK's leading paperboard converting and merchanting company. Considering Finland's distance from its main markets

and the harsh reality of dwindling profits, Finnish forest companies may have no other choice but to take a more direct approach towards marketing and distribution. This service has been mostly supplied through Finnesp, a paper mill association which markets globally the paper of Finland's largest companies.

Enrique Tessieri

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his report iron The Sconomist Intelligence Unit profiles each of the work's top 150 pulp and paper companies, describing their specialisation strateges, capacities, and brief details of their trading results.

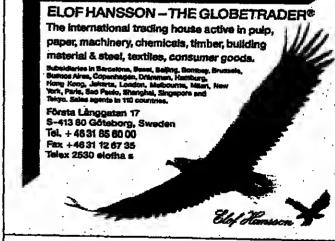
Concentration in the Industry is increasing: the top 150 companies, as selected each year by the magazine Pulp & Paper International (PPI) on the basis of turnows, accounted for 56 per cent of world paper and board output in 1955 and 61 per cent in 1969, in 1990 and 1991 concentration has continued and the report brings the record up to date on this, describing the applicances and acquaintions since the compilation of the last and the many cross strategicing also involved.

This report provides an up to date picture of the industry at a critical point in its history and is an essential retireting source for executives in the pulp, paper and associated Industries. The report contains approximately 240 pages and 169 latters.

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TAYLOR WOODROW

Teamwork in Construction **Housing Property Trading**

The section of the se

Young's pre-tax profits up by 9%



We are seeing a swing back to traditional lager supremacy." Those confident words came from John Young (above), chairman of south London brewer Young & Co. at yesterday's announcement of group profits. Young beat a generally depressed beer market to increase sales 5 per cent while pre-tax profits rose 9 per cent. Page 27

Norwegian helicopter flotation Helikopter Service, Norway's largest helicopter operator, is planning next week to float 8.7m shares to raise NKr504m (\$75.2m) to fund future development. The group, which derives about 80 par cent of its annual NKr1.25bn revenues from the offshore oil Industry, operates a

Bombay exchange reopens



Trading resumed on the Bombay stock exchange (right) yesterday, the first session since the mer Drims minister Rajiv Gandhi. Sentiment was aided by statements from the World Bank and the IMF that financial support would continue for India'e economic restructuring

programme. Price levels became unsettled, however, following news of Sonia Gandhi'e refusal to lead the Congress Party and the main 30 share index ost soms of its gains. Back Page

An exercise in slimming



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SALE STATE

Contraction was the main aim of Moscow Narodny Bank last year. The Soviet-owned bank incorporated in London since 1919, eharply reduced its size by

assets and running down interbank deposits and borrowings, said the annual report published yesterday. It also once again had to turn to shareholders for financial support, reports Stephen Fidler. Page 24

"Swapping blow for blow"

Storehouse, the UK retailing conglomerate, yeslerday reported a drop in pre-tax profits from £12.8m (\$22m) to £6.2m in the year to March 30. Michael Julian, chief executive, warned that the British retailing climate showed little sign of improvement in the first half of the current year: "We are swapping blow for blow with our

Market Statistics

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Chief price changes yesterday

Banesto said that AGF would pay around Pta28bn (\$284.15m) for the stake in Union y Fenix and about Ptallbn for a stake in the bank itself.

AGF and Banesto, which held about 52.3 per cent of Union y Fenix, plan to pool their stakes in the insurance group into e holding company which will still con-

Banesto officials confirmed

AGF, the French State-owned Banesto, through its industrial corporation, will hold 55 per cent insurance group, is buying 24 per cent of La Union y El Fenix, one of the new holding company.

AGF buys stake in Banesto insurer

of Spain's biggest insurance com-panies, from its owners, the inde-pendent Spanish commercial bank Banesto. In a separate agreement, Union y Fenix-AGF will use Banesto's extensive bank branch network in Spain to market insurance policles, paying about Ptalobn in rent to the bank over the next esterday that AGF would also buy between 2.5 and 3 per cent of

Banesto itself to become one of the bank's largest shareholders. The deal will provide a significant boost in funds for Banesto, which is still in the throes of a messive modernisation pro-

Mr Mario Conde, Banesto's chairman, has, for the moment, ruled out any possibility of him. merging the bank with a Spanish rival

This follows the merger earlier

this month of Banco Central and Banco Hispano Americano, and the merger of all of the country's state-owned financial institutions into a giant new bank.

However as interest rates begin to fall in Spain, the banking sec-tor's traditionally high interest rate margins are beginning to shrink, putting pressure on bank-ing profits and raising the likeli-hood of the banks having to make extraordinary profits.

A number of banks, including Banesto, are selling off regional banking affiliates, and Banco Central has just reported a sharp 45 per cent drop in first-quarter pre-tax profits - to Pta15.8bn -

Japanese builders warn of slower growth

By Robert Thomson in Tokyo and Andrew Taylor in London

the world's largest construction companies, werned yesterdey that pre-tax profits could fall by 10 per cent this year due to the downturn in the Japanese property market.

It was one of several Japanese contractors which issued such warnings yesterdey while announcing generally strong

Kumagai unveiled a 22.9 per cent increase in pre-tax profits to Y50.51bn (\$363m) for the 12 months to the end of March.

KUMAGAI GUMI of Japan, one of Sales rose by 9.2 per cent to Y1,201bn, as the company con-centrated more on domestic con-Kumagai said it expected prof-

its in the current year to fall by 10 per cent to Y45bn on marginally higher sales of Y1,220bn.
It said overseas contracts,
which previously accounted for e
quarter of its business, had
become less lucrativa. They had been hit by exchange rate fluctu-stions, slower demand and increased competition in interna-

This was partly due to the emergence of strong construction industries in other Far East coun-tries, such as Korea, which are competing with Jepanese con-tractors at home and ebroad. Export markets were also

likely to decline as the fear of world recession reduces develop-ment opportunities. Higher inter-est rates were also taking their Shimizu and Taisei, two other

large Japanese contractors, also expect significantly slower profit

Shimizu reported a 41.9 per cent increase in pre-tax profits last year to Y115.7on. Taisei prof-

isst year to Y115.7bn. Taisei profits were 43 per cent higher at Y81bn. Both companies wrote off claims egainst Iraq: Shimizn Y4.7bn and Taisei Y7.7bn. Obbayasbi Corporetion, another large contractor, is more optimistic ebout orders this year, expecting sales of Y1,650bn, up from Y1,330bn last year. Pre-tax profit rose slightly more than 19 profit rose slightly more than 19 per cent last year to Y60.3bn, and the company predicts a further rise to Y67bn this year.

Concern about Japan's prop-erty market is particularly turnover falling sharply over the past few months and prices becoming soft.

The country's largest builder of condominiums, Daikyo, yesterday reported a 32.4 per cent increase in sales to Y705.85bn, but a modest 4.7 per cent rise in

but a modest 4.7 per cent rise in pre-tax profits to Y35.78bn. The company said profits had been hit by the higher interest burden on borrowings for its land

purchases and on its growing

stock of unsold condominiums Daikyo announced that it would halve its dividend to Y15 this

year.
The company predicted that pre-tax profit would be flat for the period, and that the value of new contracts was likely to fall to Y630bn, down 10 per cent. exchange, reported a 43 per cent rise in pre-tax profits to Y103.23bn. Pre-tax profits for the current year are expected to rise 26 per cent to Y130bn on sales of

Packaging crusader wraps up merger deal

Andrew Hill and John Thornhill report on Tetra Pak

hen Mr Bertil Hagman, president and chief executive of Tetra Pak, visited Brussels earlier this month, he seemed philosophical about the European Commis-sion's investigation into the liquid packaging group's bid for Alfa-Laval. But he also had the faintly aggrieved air of an evan-gelist told to lay off for a while to give other religions a chance. Yesterday's news that, in effect the hid had been approved has taken a weight off Mr Hagman's mind, and should boost an already heavy presence in the European food packaging and processing market.

It came as a surprise when, in March, the Commission began a full inquiry into the SKr16.25hm (\$3.6bm) bid for Alfa-Laval, the wedish dairy and food process ing equipment company. It was only the third under the EC's sixmonth-old takeover rules and the first in-depth look at a merger between companies based outside the Community.

the Community.

Mr Hagman leared a damaging delay, but by stretching its procedural rules a little, the Commission's merger task force has been able to undreeze the bid before formal approval. This released Mr Hagman to continue Tetra Pak's crusade to improve food packaging technology.

Tetra Pak has been at the fore-

front of such technology ever ing, developed his famous tetra-bedron carton in 1951. Legend has it that Dr Rausing developed the concept while watching his wife stuffing sausage casings.

The company expanded spectacularly following the introduction in 1969 of the revolutionary Tetra Brik Aseptic packaging system. This allowed liquids to be harmetically sealed in cartons.

cartons, more than 10 for each inhabitant of the planet.

Like many Swedish companies, Tetra Pak is a truly international concern. Its headquarters are in Lausanne, Switzerland, but it has operations spanning 109 countries. The company claims it has 4 per cent of the world market for liquid food packaging products. It For example, the combined company would be able to supply the entire processing and packag-ing needs of a modern dairy from cow to carton.
It was this very synergy which

alerted Brussels' suspicions. The Commission's principal concern was that rivals were unable to liquid food packaging products. It also says it has 14 per cent of the European market, rising to 46 per cent in segments such as milk. provide both packaging and pro-cessing machines, for example, to dairy owners. The Commission has not made its approval condi-tional on formal undertakings from Tetra Pak and Alfa-Laval; Yet Tetra Pak is highly secretive about its financial performance. Last year sales amounted to SFr6.1hn (34hn) but the company's profitability remains a mystery to the outside world. but both companies had already promised not to make sales of, say, packaging machinery, depen-dent on orders for processing machinery. They also promised to make equipment compatible

Analysts have suggested that profits may have been SKrabn.

"We have tried to avoid talking about profits simply because if the profits are bad it creates with competitors' products.

"We made the promises because that was what the food industry would demand from us," unnecessary worry about the future of the company; and if the profits are good, it may stimulate our suppliers to increase prices unnecessarily," says Mr Hagman.

He suggests that privatelysaid Mr Hagman yesterday. The Commission's task force also discovered, in what one official called "an extraordinarily thorough inquiry", that the merger would have little effect on purchasing policies of EC dairles.

He suggests that privately-owned companies can plough profits back into research and development, and long-term gain need not. be sacrificed to short-term performance. Almost 10 per cent of its employees are engaged in R&D activities. Mr Hagman congratulated the Commission, yesterday on the speed with which it resolved the case, but the wealth of goodwill from both sides leaves one inter-Until now, Tetra Pak has con-centrated on liquid food packag-ing. So why expand? Outsiders esting question unresolved.

A Commission inquiry into allegations that Tetra Pak has

been abusing a dominant posthave suggested many reasons for been running since 1983. The issue, say EC officials, is whether future for Tetra Pak's packaging products because of competitive and environmentalist pressures; it has been forcing customers who use to its machines to use its waning interest in the company by the Rausing family; or finan-cial opportunism. Mr Hagman cartons as well. A decision may be reached over the summer. The impact of the merger inquiry on the Italian case is not clear, but if Brussels comes down against Tetra Pak in the older investigation, it may yet unsettle the unflappable Mr Hagman.



Hagman: crusading to improve food packaging technology

KHD held back by fall in foreign orders

By Andrew Fisher in

KLOCKNER-Humboldt-Deutz made a slow start in 1991, but earnings should match those of last year, when the German engineering company made its first net profit since 1986, Mr Karl-Josef Neukirchen, its chief executive, said yesterday.

The company reported a net profit of DM30m last year com-pared with a net loss of DM170m

KHD, whose ectivities include manufacturing diesel engines and tractors and constructing industrial plants, is feeling the effects of economic weakness in foreign markets, be said.

Total turnover in the first four months was only 1 per cent higher at DMI 2bn (\$697.6m) compared with the same period last year, as a 22 per cent rise in the buoyant domestic market was largely offset by a 12 per cent fall in foreign sales. New order inflow was down by

17 per cent to DM1.3bn compared with the 1990 period as a result of a slowdown in the construction sector and in the European farm machinery sector, as well as delays in plant orders. KHD's order backlog at the end

of April was DM2bn, a fall of 7 per cent on the same period last year but 9 per cent higher than at

the start of this year.

Last year, the company dou-DM82m, e continued improvement from its weak performance in 1987, when it made an operating loss of DM402m.

The company's earlier prob-lems stemmed mainly from its disastrous investment in Allis Chalmers, the US farm equipment manufacturer, in 1985. KHD has since sold its stake, but not company about DM1bn.

poob-poobs such speculation. He says if Tetra Pak and AlfaLaval combine, they will have a stronger position in the market and e better base to develop "tomorrow's technologies". BT cautious on UK economy despite £3bn pre-tax profit

BT, the British telecommunications operator, yesterday warned that there was no sign of the UK ecession bottoming out, even though its annual pre-tax profits to end-March had advanced to more than £3bn (\$1.74bn), a 14 per cent rise on the previous

year.
The company – the largest private concern in Britain – plans to make more than 10,000 job cuts in the coming year after shedding 18,800 jobs in the past year as part of a cost cutting drive.

Mr Ian Vallance, BT's executive chairman, said the rate of decline in call volumes had begun to slow but there were no

signs of an upturn.
The company's figures show that e year ago call volumes within the UK grew at 10 per cent a year. This March the rate slowed to just 4 per cent a year. The state of BT's business, which serves more than 25m customers, is one of the most com-

By Peter Bruce In Madrid

of the state of the economy.

The company's assessment that the trough of the recession still had not been reached came a day after the Confederation of British Industry, the employers' organisation, warned that the economy would weaken further unless there was an immediate cut in interest rates.

BT's profit increase was echieved on a 6.8 per cent increase in turnover to £13.1bn. Growth in international call vol-umes also slowed. Turnover of international services rose by only 522m to £1.8bn, while reve-nne from installing equipment fell by £40m to £1.34bn.

The sharp rise in profits was mainly due to the cost-cutting drive which reduced employment to 227,000 in March 1991 from 245,700 a year before. Staff costs rose from £4.1bn in 1990 to £4.25bn last year. · Interest payments fell from

McCaw Cellular, the US mobile telephone operator.

Minority interests made no contribution to earnings compared with £26m last time, because profits from Cellnet, the UK cellular operator controlled by BT, were offset by losses at Mitel, the Canadian telecommu-nications equipment maker. BT is still searching for a buyer of its 51 per cent stake in Mitel.

BT's profit performance was also helped by a sharp cut in capital expenditure from £3.1bn in 1990 to £2.75bn.

Earnings per share rose 16.4 per cent to 34p. The directors are recommending e final dividend of 8.05p to make a total dividend of 13.3p, an increase of 12.7 per cent.

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INTERNATIONAL COMPANIES AND FINANCE

Dasa forecasts improved result

By Andrew Fisher in Frankfurt

DEUTSCHE Aerospace (Dasa), the Daimler-Benz subsidiary. expects to turn in a "considera-bly improved result" this year as a result of the dollar's recovery after a loss of DM135m (\$79m) last year caused by the the US currency's previous weakness, Mr Manfred Bis-

choff, finance director, said.

The loss reflected provisions on cootracts of Deutsche Airbus, part of Dasa and a member of the European Airbus consortium, to reflect the US currency's fall at the end of DM13hn in 1991. Mr Jürgen Schrempp, the

chief executive, said that Dasa had now completed the reor-ganisation necessitated by the addition of Messerschmitt-Bölkow-Blohm to its Dornier aircraft and MTU engine units. This had made it more marketoriented and able to engage in large aircraft and space pro-

Dasa expects to decide by late summer whether to go ahead with its proposed \$2.5bn

Turnover of Dasa totalled regional aircraft project DM12.5hm and should rise to together with Aerospatiale (France). Alenia (Italy), and Canadian, Spanish and Chi-nese companies. It will request repayabla launch aid from the German government which could total DM600m.

The German company would take a 50 per cent share in the aircraft venture, with Alenia and Aerospatiale taking 25 per cent each. Dasa would then pass on stakes to the other partners, reducing its share below 40 per cent. Mr Schrempp said even if

the Airhus consortium went ahead with a smaller version of an existing Airhus, this would still leave room for an aircraft to cover the market below 120

He said the defence technology share in Dasa's turnover should drop from last year's 48 per cent to 25 per cent by the year 2000 as Airbus production mcreased, other civil projects were developed, and defence budgets were reduced. The company has already said that 1,000 jobs would be lost on the

pany and that this was unac-

They were responding to

remarks earlier in the week hy Endesa's chairman, Mr Felici-ano Fuster, who said he would

welcome closer links with the Seville-based company.

Mr Fuster unveiled sn aggressive acquisition strategy when he masterminded the

acquisition of the ninth-ranked utility Electra de Viesgo two

Earnings fall of 9.5% surprises Winterthur

By William Dulfforce in Geneva

WINTERTHUR, Switzerland's higgest non-life insurance group, has reported an unex-pected decline of 9.5 per cent in 1990 consolidated net earnings. The company, however, will pay an unchanged divi-

Group net profit amounted to SFr236.6m (\$162m), compared with SFr261.3m for the previous year. The 1989 figure was adjusted to bring it into line with the new reporting principles under which Winterthur is consolidating its terthur is consolidating its

larger minority holdings.
Gross premium income rose
4.1 per cent to SFr12.48bn, representing a growth rate of 9.7
per cent in terms of local currencies. More than 54 per cent
of direct income was generated
outside Switzerland.

Mr Peter Spalti, chairman and chief executive, had fore-cast higher 1990 earnings last November. Winterthur attri-butes the setback to narrowing margins in several countries. unfavourable currency fluctua-tions, and the poor state of financial markets last year.

Winter storms in northern Europe also had an impact. Shareholders' equity fell from SFr4.64bn at the end of 1989 to SFr3.79hn, in part service of the write-off of SFt54L3m in goodwill on the acquisition of General Casualty, a Wisconsin-based US insurance company, for which Winterthur paid \$630m.

Winterthur paid \$630m.

The parent company achieved a net profit of SFr133.2m, down from SFr139.6m in 1989. The board proposes to pay an unchanged dividend of SFr68 per share and SFr13.60 per participation certificate, giving a total payout of SFr109.6m after last year's rights issue, compared with SFr102.5m on the 1989 account.

account.

Premium income in Winterthur Life, the life insurance subsidiary, amounted to SFr3.57bu, with total assur-ance in force rising by 8 per cent to SFr117bu.

Investment advanced by more than 12 per cent to SFr1.25hn. Bonuses allocated to policies rose by 14 per cent to SFr473m.

Whitbread advances 9.7% on strength of beer sales

By Philip Rawstorne in London

WHITEREAD, the brewer and retailer, showed resilience in tough trading conditions with a 9.7 per cent increase in full-year pre-tax profits to £291.5m (\$503.2m) from £265.7m

The results, which include pre-tax profits of £5.8m for the

Whitbread Investment Company, were at the top end of market forecasts. Shares gained 13p to close at 486p.

During a year "when virtually every month hrought a further deterioration in customer candidates" according tomer confidence", according to Mr Peter Jarvis, chief execu-tive, turnover rose to \$2,06bn from \$2,05bn - an increase of 14 per cent after adjusting for discouraged businesses.

discontinued husinesses.

Earnings per share grew 9.5 per cent to 47.29p from 43.18p and a final dividend of 12p lifts the total payout 10 per cent to 16.3p from 14.8p.

Operating profits from Whithread's brewing operations rose 15 per cent from £SL&m to

271.1m on turnover 29 per cent higher at 5897m from £748m. Beer volumes increased by 1.5 per cent in a market which declined by the same amount. The Boddingtons brand led a 50 per cent growth in Whitbread's portfolio of cask-conditioned ales and Murphy's stout cashing alles of £75m in only

achieved sales of £75m in only its second year of distribution.

The group's managed retail estate, which now contributes half its profits, recorded a 10 per cent increase in turnover to £1.26bn from £1.14bn and pushed profits 7 per cent higher to £128.7m from

Whithread Inns showed strong growth in drink and food sales; the Thresher wine and spirits chain improved margins, profits and market shere; and TGI Friday's traded strongly. Pizza Hut maintained profits and pushed its market share above 50 per cent. Turnover in Whithread's

leased and tenanted pubs krew
9 per cent to £273.5m from
£251.9m and profits rose 4 per
cent to £65.7m from £63.2m.
Whitbread has now sold 445
pubs and a further 350 will follow this year as it moves to
meet the changes resulting from the Monopolies and Mergers Commission inquiry.

An extraordinary charge of f42m is included in the accounts as the cost of meeting the changes. A similar provision of f45m was made last year. All the sales so far have exceeded book value. The accounts include a 130.3m profit on disposal of retail

properties.

A new puh leasing programme is now under way with 450 completed and another 500 in negotiation. This total charge of 187 in is

a very high price to have to pay to meet the new regula-tions." Mr Jarvis said.

KHD confident of matching net

KHD, whose activities include manufacturing diesel engines and tractors and con-

he said.
Total turnover in the first

compared with the same period last year, as a 22 per cent rise in the huoyant domestic marhet was largely offset by a 12 per cent fall in foreign sales. New order inflow was down by 17 per cent to DMI.3bn as a result of a slowdown in the construction sector and in the European farm machinery sec-tor, as well as delays in plant

orders.
KHD's order backlog at the end of April was DM2bn, 7 per cent down on the same period last year, but 9 per cent higher than at the start of this

Last year, the company dou-hled its operating profits to DM82m, a continued improve-ment from its weak perfor-

mance in 1987, when it made an operating loss of DM402m.
The company's earlier problems stemmed from its disastrous investment in Allis-Chalmers, the US farm equipment manufacturer. in 1985, KHD has since sold its stake, but not before the investment cost the company about DM1bn.

Mr Neukirchen came to KHD in 1987 to effect a recovery and will shortly move to Hoesch. the steel and engineering

group.

He said work had already begun on a new DM600m diesel engine plant for KHD in Cologne. It will have an annual capacity of 150,000 engines a year when production starts in 1993.

KLOCKNER-Humboldt-Deutz made a slow start in 1991, but earnings should match those of earnings should match those of last year, when the German engineering company made its first net profit since 1986, Mr Karl-Josef Neukirchen, its chief executive, said yesterday. The company reported a net profit of DM30m (\$17.5m) last year against a net loss of DM170m in 1989.

KHD. Whosa activities

structing industrial plant, was feeling the effects of economic weakness in foreign markets,

four months of 1991 was only 1 per cent higher at DM1.2hn

BMW Rolls-Royce near deal on site

BMW Rolla-Royce, recently-formed joint venture between the German car com-pany and the UK aerospace group, is near final agreement on the site for a new engine plant in east Germany, with an initial investment of around DM200m (\$118m) planned, jobs created when the first

The company said it hoped to complete the purchase of the site, south of Berlin in the east

phase of production starts in the mid-1990s. BMW Rolls-Royce intends to produce a new family of civilian aircraft engines at the east German plant. Development of this range, aimed at the regional market, will cost around DM1bn hy 1996.

Cost-cutting lifts Esselte to SKr83m

By John Burton in Stockholm

ESSELTE, the Swedish office products group, yesterday reported that profits after financial items rose by 26 per cent to SKr83m (\$13.5m) in the first quarter.
The improved result was due

to lower financial costs.

Esselte last year sold its publishing and printing units as well as property holdings for a net gain of Skr2.9bn. It made the sales to reduce its debt bur-

Other property was sold in January for a profit of SKr161m. However, operating profit in the first quarter fell by 30 per cent to SKr156m as sales declined by 5 per cent to

SKr4.08bn. Demand has fallan in Rsselte's main markets, including the US, the UK and the Nordic region, although sales have risen in Germany.

Despite the fall in sales and prospects that demand will remain weak, Esselte is confi-dent that earnings for the year will exceed the 1990 result of SKr145m, due to lower interest payments and cuts in production costs. Esseite last year closed 17 facilities worldwide, reducing its workforce by 2,400. Operating costs in the first quarter fell by 5 per cent to SKr3.7bn.

The upswing in earnings comes as Mr Rune Andersson, the chairman of the Swedish mining and industrial group Trellehorg, becomes the Esselte chairman.

Spanish power row intensifies

By Tom Burns in Madrid

SEVILLANA, the large electricity producer which supplies Spain's fast-growing southern belt, yesterday took the unusual step of issuing a statement to deter the state-controlled utility Endesa from increasing its stake in the com-

pany.
The defence mounted hy Savillana complicates the attempts by the government to restructure the domestic electricity sector with the creation of a large utility group around

Foreign institutional investors hold up to 15 per cent of the equity in Sevillana. The largest single shareholder is

By William Dulfforce

March 31.

LPC INTERNATIONAL FINANCE N.V. (the "Corporation") 8% Conv. Sub. Dobentures Due 1995 (the "Debentures")

NOTICE OF REDEMPTION In accordance with Article Ten of the Indenture dated as of October 15, 1980 (the Indenture"), the Corporation will redeem all of its outstanding Debintures on June 28, 1991 (the "Redemption

Date") at 100% of the aggregate principal amount thereof (the Redemption Price") together with accrued interest of \$6.2222 per \$1,000 principal amount, for a total Redemption Price of \$1,056,2222 per \$1,000 principal amount of Debentures.

and payable on the Redemption Date. Interest on the Debentures

shall cease to accrue on and after the Redemption Date and all rights of the holders with respect to the Debentures will cease,

except the right to receive the amounts due on the Redemption

Date. Payment of the amounts due will be made only upon presentation and surrender of said Debentures with all interest

coupons maturing subsequent to said date, by hand or by mail as

10043, USA: Citibank, N.A., 336 Strand, London WC2R 1HS, England; Citibank, N.A., Neus Mainzer Strasse 4043, 6000 Frankfurt/Main, Germany; Citibank, N.A., Ave. de Tervuren, 249, B-1150 Brussels, Belgium; Citibank, N.A., 19 LeParvis, LaDefense, Paris, France; Citicorp Investment Bank

(Luxembourg) S.A., 16 Ave. Marie Theresa, Luxembourg;

Citicorp Investment Bank (Switzerland), Bahnhofstrasse 63,

thereof, may be converted in accordance with the terms of the Indenture into shares of Common Stock of Lear Petroleum

Corporation, at a Conversion rate of 39.3649 shares for each \$1,000 principal amount of Debentures. Lear has informed the Trustee that its Common Stock is no longer publicly traded, consequently

Lear will effect a short form merger to purchase any shares that are acquired upon conversion of the Debentures for \$2.65 per share (the price paid for Lear Common Shares at the time of the merger of

By: IBJ SCHRODER BANK & TRUST COMPANY

as Trustee

Pursuant to Article Eleven of the Indenture, the right to convert the principal of the Debeotures shall terminate at the close of business on the Redemption Date. On or before that date, the Debentures, or any portion thereof which is \$1,000 or a multiple

Citibank, N.A., 111 Wall Street, 5th Floor, New York, NY

BAER HOLDING, the parent company of the Julius Baer private banking group of Zurich, yesterday announced an unchanged dividend and said it would convert its participation certificates into bearer shares. Net earnings increased by 4.3 per cent to SFr35.6m (\$24.4m) for the year ended March 31.

March 31.

The board plans to pay a dividend of SFr210 per bearer share. SFr42 per registered share and SFr8.40 per partici-

pation certificate.

Baer had assured sharehold-

ers of an unchanged dividend in March, when the group reported a 20 per cent

slide in net earnings to

the Banco Bilhao Vizcaya (BBV), with a 10.2 per cent stake. Sevillana said its board considered that any attempt by Endesa to huy its equity without prior agreement would be considered a hostile

move.
The board apparently fears that Endesa may be poised to repeat a controversial stock market raid on Sevillana that it conducted in the summer of 1989, when it acquired nearly 10 per cent of the com-

pany. In earlier comments, Sevil-Iana spokesmen had indicated that Endesa's designs on Sevil-

SFr47.8m for the calendar year

To simplify its share struc-

ture, Baer Holding is offering ona hearer share with a nominal value of SFr500, carry-

ing one vote, for 25 non-voting participation certifi-cates of nominal value SFr20

each.
This conversion will be cov-

ered by the issue of 13,936 new hearer shares which will take the share capital from SF752.3m to SF759.3m. Control of the company will

remain with the Baer family, which owns all the registered stock, apart from some 7 per cent which is held by Union Bank of Switzerland.

Baer Holding holds payout,

simplifies share structure

months ago.

However, Iberduero and Hidrola, the two largest private ntilities, subsequently stole a march on Endesa by joining forces earlier this month to form HI Holdings

Helicopter group to issue new equity

HELIKOPTER Service, Norway's largest helicopter operator, is planning next week to float 8.7m shares to raise NKr504m (\$75.2m) to fund its development, writes Paul

About 80 per cent of the com-pany's annual revenues of NKr1.25hn comes from offshore oil operations.

The company is controlled by Mr Kjell Andenaes and Mr Tor Andenaes, who hold 68.2 per cent of the ontstanding shares. After the offering, their interest is expected to fall to 31

to 32 per cent.
Half the 8.7m shares on offer are expected to be placed with institutions on the international market.



This announcement appears as a memor of record only

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May 1991

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Notification of Dividend

The Ordinary General Meeting on May 23, 1991, has resolved to distribute the distributable profit of the financial year 1990 being DM 617.868.650 and has epproved the payment of a dividend of DM 14 per share of DM 50 par value.

The dividend will be paid less 25% capital yield tax against submittal of Dividend Coupon No. 55 at one of the paying agents listed in the Federal Gazette (Bundesanzeigar) of the Federal Republic of Germany No. 94 dated May 24 1991. In accordance with the English-German Double Taxation Agreement of November 26, 1984, as amended in the protocol of March 23, 1970, the German capital yield tax is reduced from 25% to 15% for shareholders resident in Great Britain. To claim this, shareholders must submit an application for refund until december 31, 1995 at the latest. This application is to be addressed to the Bundesamt fuer Finanzen, Friedhofstrasse 1, D-5300 Bonn 3.

In Great Britain payment will take place through the following banks: Deutsche Bank AG, London Branch, 6, Bishopsgata, London EC2P 2AT, Midland Bank plc, Securities Services UK Dapartment, Ground floor, Suffolk Housa, 5 Laurence Pountney Hill, London EC4R OEU.

The dividend payment in Great Britain is made in Pound Sterling converted from Deutscha Mark at the rate prevailing on the day of submittal of the dividend

Frankfurt am Main, May 1991

Agent Bank

Board of Managing Directors

PROVINCE DE QUEBEC \$CAN 50.000,000 12% BONDS DUE 1993

Lear with LPC Holdings, Inc.).

8021 Zurich, Switzerland.

Notice is hereby given that in accordance with the Terms and Conditions of the Bonds. the Issuer has elected to redeem anticipatively all of the outstanding Bonds in the aggregate principal amount of \$CAN 50000,000 on July 6, 1991 at a redemption price equal to 101% of the

principal amount thereof. The Bonds should be presented and surrendered for payment together with coupons due July 6, 1992 and followings attached.

On and after July 6, 1991 the Bonds will no longer be outstanding and interest thereon shall cease to accrue. THE PRINCIPAL PAYING AGENT SOCIETE GENERALE

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NOTICE TO THE NOTEHOLDERS SWEDBANK Sparbankernas Bank Yen 5,000,000,000 5%% Bull Bonds due 1993

In accordance with the Terms and Conditions of the Bonds - "Redemption and Purchase - Redemption Amount", notice is bereby given that the Redemption Amount in respect of any Bond payable on May 24, 1991 has been fixed at 199% of the for and on behalf of the issuer Banque Paribas Luxembour

Map Investment N.V. The Issuer has declared and paid U.S. \$2,180,000,00 Participating Interest due and payableon May 17, 1891. The annualized percentage rate is equal to 3% and the amount of Participation Interest psyableon U.S. \$10,000 principal amount of the Boods is \$300.00.

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Aggregate interest charging balances of Mortgages redeemed during the previous Interest Period: £8,759,640. Aggregate interest charging balances of Mortgages redcemed as at 22nd May, 1991: £163,067,240. The aggregate principal amount of Notes outstanding as at 22nd May, 1991: £149,200,000.

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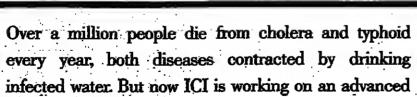
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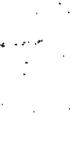


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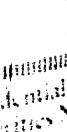
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World Problems









INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Electrical

combines

rising costs

By Stefan Wagstyl in Tokyo

PROFITS at three of Japan's largest electrical combines were hit last year by the rising cost of labour and of product

development and by declining

prices of semiconductors and

hattling for sales across a wide range of products. Toshiba said its decline in

profits was due mainly to price cuts in semiconductors and intensified competition in

increase in pre-tax profits to Y260hn.

Hitachi reported a 9 per cent rise in consolidated sales to

Y7,737bn and a 8 per cent increase in pre-tax profits to

Net profits were up 9 per cent, but operating profits, which exclude the group's con-siderable financial income,

siderable financial income, rose just 1 per cent. At the parent company, operating profits fell 14 per cent to Y171.6hm. Pre-tax profits rose 2 per cent to Y206.9hm.

Hitachl forecasts increases in consolidated sales and pre-tax profits this year to Y8,100hm and Y560hm respectively.

and net profits rose 4 per cent to Y79.7bm. The parent com-

rivals and so less able to main-

Capital investment by Japa-

hit by

Honda Motor posts 65% decline

HONDA Motor, the Japanese car maker, yesterday reported a sharp fall in pre-tax profits in the final quarter as US sales proved sluggish, the domestic market turned soft, and selling expenses increased.

The group suffered a 65 per cent decline in pre-tax profit to Y16.56bn (\$129.13m) lu the quarter to the end of March. For the full year consolidated pre-tax profit was Y132bn, down from Y152.1bn, on sales of Y4,301.5bu, an increase of 11.6 per cent. Sharply increased turnover of motorcycles in Asia compensated for the downturn in the US car

Sales in the final quarter rose by 3.8 per cent from a year ago to Y1,142bn, with motorcycle-related revenue rising 38.9 per cent, car sales increasing by only 3.2 per cent, and other business revenue up 28.6

After several years of surging sales, the Japanese market has turned down, with passen-ger car sales below year-earlier levels for nine consecutive mouths. However, Honda officials said yesterday they expected domestic sales to be stimu-lated later in the year, when several new models will be

For the current year, sales

are expected to rise 7 per cent, although the company said tougher market conditions would lead to reductions in capital investment, which will fall by an estimated 12 per cent, while research spending may fall slightly and the intake of new Japanese staff next year

will be cut.

Honda predits that net profit
for the year will be Y77bu,
slightly higher than last year's Y76.2bn, although selling expenses may increase sharply as the company will be "com-peting in an intensely competitive automobile market".

Last year, motorcycle reve-uue rose 29.3 per cent and car

mainly to "an improved model mix and a weaker yen against major European currencies".

The company reported marginal increases in car sales in North America and the domes-tic market, but a 36 per cent increase in the value of sales to Europe, which accounted for 10.7 per cent of total sales, up from 8.6 per cent in fiscal 1989.

Motorcycle sales fell in Japan, but rose sharply else-where. Enrope accounted for 23.9 per cent of motorcycle sales, up from 23.2 per cent, while Japanese sales fell as a proportion from 40.6 per cent of the total to 30.7 per cent.

Higher premiums fail to lift insurers

By Neil Welnberg

JAPAN'S four leading property and casualty insurers posted lower profits at the pre-tax spite rises in premium revenues in the year to the end of March, as higher vehicle repair and natural disaster

payments took their toll. Mitsul Marine and Fire Insur-Tokio Fire and Marine, ance and Sumitomo Marine Japan's largest uou-life and Fire Insurance also insurer, posted a drop in aftertax profits for the second consecutive year. Yasuda Fire and Marine,

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Bonds due 2001

of the Company presently outstanding

(the "Bondholders" and the "Bonds" respectively)

constituted by a Trust Deed dated 15th July, 1988 as modified by a First Supplemental Trust Deed dated 24th July, 1990 and a Second Supplemental Trust Deed dated 22nd May, 1991 (all together the "Trust Oeeds") all made between the Company and Bankers Trustee Company Limited (the "Trustee") as Trustee for the Bondholders.

under Condition 7(0) of the Bonds, Bondholders have rights (the "Bondholders' 1991 Put Rights"), subject as therein provided, by completing, signing and depositing at the specified office of any Paying Agent during its normal business hours not less than 30 nor more than 45 days prior to 15th July, 1991 notices of redemption in the form (for the time being current) obtainable from any Paying Agent, to require the Company to redeem all of some only of the Bonds held by them on that date at 117 per cent. of their principal amount together with accrued interest;

only of the Bonds held by them on that date at 117 per cent. of their principal amount together with accrued interest; in order to provide Bondholders with greater flexibility as regards their holdings of Bonds the Compeny has requested the Trustee to concur with it in modifying the Trust Deeds and Condition 7(0) of the Bonds so as, subject to the condition described in (v) below, (a) to provide additional rights (the "Bondholders' 1992 Put Rights") identical in all respects to the Bondholders' 1991 Put Rights etcept for the relative redemption date to be 31st December, 1992 and the relative redemption amount to be 122 per cent, of the principal amount of the Bonds (in order to provide Bondholders' who acquired their Bonds at par on 15th July, 1988 with the same yield to put as that with which they are provided by the Bondholders' 1991 Put Rights) and (b) to permit notices of redemption by Bondholders exercising any such Rights to be revoked with the consent of the Company;

at the request of the Trustee, the Company has agreed, subject to the condition described in (v) below, not to give notice exercising any optional redemption rights which it may have under Condition 7(B) or 7(C) of the Bonds until after 31st December, 1992, and the Trustee, being of the opinion that, in the light of auch agreement, such modifications are in the interests of the Bondholders as a whole, has concurred with the Company in making the proposed modifications:

such modifications, which are also subject to the condition described in (v) below, are contained in the Second Supplemental Trust Deed dated 22nd May, 1991 made between the Company and the Trustee;

such modifications and the Company's agreement referred to in (iii) above are conditional and will become effective only upon the obtaining of the necessary Korsen governmental and regulatory consents. The Company has covenanted in the Second Supplemental Trust Deed to use its best endeavours promptly to obtain such consents and further notice will be given to the Bondholders by the Company as soon as practicable after such consents have been obtained;

accordingly, subject only to the obtaining of the consents reterred to in (v) above, in addition to the Bondholders' 1991 Put Rights (which are unaffected by the modifications and remain exercisable) Bondholders will have further rights to call for redemption of their Bonds on 31st December, 1932 at 122 per cent. of their principal amount together with accuracy interest by exercising the Bondholders' 1992 Put Rights pursuant to Condition 7(0) mutatis mutandis in the same menner as the Bondholders' 1991 Put Rights; and

(vii) copies of (a) the Trust Deeds and (b) a letter dated 20th May, 1991 from the Company to the Trustee containing agreement referred to in (fii) above are available for inspection until 31st December, 1992 by Bondholders dur normal business hours at the specified offices of the Paying Agents listed below.

PRINCIPAL PAYING AGENT

OTHER PAYING AGENTS
Swisa Bank Corporation, Aescherrvorstadt 1, CH-4002 Basie.
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NOTICE IS HEREBY GIVEN to the Bondholders that:

in support of the funding activities of

	ROPERTY AND C	MOONE I . III	20112114
	Premium revenue*	Pre-tax profit*	Operating profit
Toldo	1,006 (+8,8)	97.9 (- 5.6)	15.9 (-42.2)
Yasuda	724 (+6.3)	42.4 (- 16.0)	-6.0 (-)
Mitsui	487 (+9.5)	35.2 (-12.6)	0.4 (- 92.2)
Sumitomo	420 (+9.7)	37.9 (- 7.4)	5.3 (-52.1)

American Depositary Receipt (ADR) Programme

and Fire Insurance also showed profit declines for the first time in eight years.

The rise in premium income among the industry leaders was supported by growth in vebicle underwriting, as domestic car sales remained

However, the cost of car repairs rose even more rapidly, due to the growing number of luxury vehicles on the roads and higher repair shop labour costs. Increasing commission

also put pressure on profits The uon-life insurers expect profits to rebound in the year to end-March 1992, in part ou a 7.8 per cent average rise in vehicle insurance premiums, scheduled to take effect on July 1. Nursing insurance and savings-type insurance con-tract renewals are further seen

tract renewals are further seen supporting a profit recovery.

Tokio forecasts premium income will increase 11 per cent to Y1,110bn (\$7.985bn) and pre-tax profits 5 per cent to Y103bn. The other three companies released similar predictions.

KDD suffers first fall in annual sales for 33 years We are pleased to announce our appointment as Depositary Bank by

among common carriers took their toll.

Pre-tax profits fell 11.9 per cent to Y25.98bn (\$189m), mark-ing their second consecutive lecline, while operating profits were down 30.4 per cent to Y16.96bn. Sales declined 7 per ent to Y240.72bn. KDD, which enjoyed an international telephone service

KDD, Japau'e largest monopoly until 1985, saw reventernational communications company, suffered its first sales decline in 33 years in the year to end-March as price cuts and increased competition largest monopoly until 1985, saw revenues from its mainline international telephone service drop 10 per cent as two aggressive new competitors vied for market share.

The company is also invest-ing aggressively in satellite and optical communication technologies and noted a sharp rise in fixed costs.

KDD expects sales to rise 5 per cent to Y253bn for the current year despite cuts in over-seas telephone charges on April 1. Pre-tax profits are expected to rise 4 per cent.

Pioneer Electronic sees drop in earnings this year

By Emiko Terazono in Tokyo

PIONEER Electronic, the Japanese leading audio maker, has forecast a decrease in pon-consolidated, pre-tax profits to Y31bn (\$223.02m) for the year to end-March 1992, the first fall in seven years.

The company's announce-ment is in line with market estimates that its earnings for the current year will be hit by the deteriorating Japanese audio visual market.

Pioneer yesterday announced non-consolidated results for the past year. Pretax profits rose 9.8 per cent to Y34.8bn on a 10.8 per cent increase in sales to Y357.5bn. Singgish demand depressed sales of its audio division by 3 per cent to Y122.2bn, but both its video and car electronics divisions posted strong sales results. The company's stock price

has been volatile in Tokyo recently on earnings specula-tion and has been dubbed the "Pioneer shock" by Tokyo's financial community.

For the year to March 1991, strong sales in Europe helped Pioneer's consolidated pre-tax profits, which rose 12.8 per cent to Y71.9bn. Strong sales of its laser disc sing-along karaoke systems and compact disc players for cars helped overall sales, which rose 17.2 per cant to Y599.6bn.

Audio sales rose 7.3 per cent to Y191.9bn, video products increased by 26.5 per cent to Y193.4bn and sales for car electronic products rose 19 per cent to Y176.8bn. After-tax profit grew 16.5 per cent to Y34.3bn

For the current year, sales for the parent company are expected to rise 5.2 per cent to Y417bn and after-tax profits to fall 18.3 per cent. Pioneer blamed the slower

sales growth on weak domestic demand in audio products and car electronics products due to the weak vehicle market.

nese industry boosted sales, as did a successful diversification into car brake systems. Fur-ther increases in sales and profits are expected in the cur-Bajaj Auto slips 13.4% and cuts payout to Rs10

By David Housego in New Delhi

BAJAJ Auto, India's largest Hindustan Computers (HCL), manufacturer of motor-scoot-ers and three-wheeler vehicles, suffered a 13.4 per cent drop in net earnings for 1990-91. It sig-nals the growing squeeze on corporate profits created by the sharp fall in industrial production.

Bajaj, which provides a yardstick for the performance of the Indian engineering indus-try, saw sales tumble in the second half as a result of riot-ing in parts of the country and a shortage of diesel fuel.

Net profits declined to Rs563m - (\$27.81m) although turnover for the year rose by 14.5 per cent to Rs12.2bm. The drop in sales in the second half forced the company to cut pro-duction by 25-30 per cent at its Aurangabad and Pune plants,

Bajaj Auto announced it was cutting its dividend by 10 per cent to Rs10. It believes, how-ever, it can boost sales over the coming year through increasing its market share. Another sign of the impact of the recession on Indian industry was the decision by the country's largest computer manufecturer, to reduce its 4,200 workforce by 15 per

cent.
The group, which has just concluded a joint venture agreement with Hewlett-Packard, has seen output and sales fall because of import curbs and higher taxes.

Most of the cuts in the work-

force have been made in the computer and CAD/CAM divi-

sion. The company described them as "normal restructur-· Also indicative of what could be a growing trend, Majestic Anto, the motorcycle manufacturer, was declared technically bankrupt by the Board for industrial and Finan-

clal Reconstruction, whose financial help it was Majestic, which employs 1,200 people and makes mopeds, suffered three years of losses that absorbed its capital and reserves. The downturn in

Top trading companies in Japan beat interest rise

By Nell Weinberg in Tokyo

JAPAN'S six leading trading companies managed to over-come a sharp rise in interest expenses to post mostly higher sales and pre-tax profits for the year to end-March.

The six also set aside a total of Y74.3hn (\$580.46m) in loss reserves on Y353.2hn in claims against fraq. Mitsubishi, with the highest claims of Y99im, set aside the largest amount at

prices of semiconductors and personal computers.

Hitachi, Toshiba and Mitsuhishi Electric all posted increases in sales in the year to March, due to strong demand in Japan and overseas. But all three suffered falls in operating profits. Toshiba's profits also fell at the pre-tax level, while Hitachi and Mitsuhishi posted marginal increases. Y30.3bn.
The Ministry of International Trade and Industry (MITI) also disclosed that all the leading trading houses, excluding Sumitomo, which had the second largest loss reserves and claims, have filed for a total of Y10.2bn in related trade insurance. ginal increases.

The three groups forecast slight increases in sales for the current year. To shiba and Hitachi predicted virtually machanged profits, but Mitsubishi said pre-tax profits would fall 8 per cent.

Margins are likely to continue being squeezed by increases in costs and falling product prices. Competition is intense with all three leading groups, plus others, including Matushita Electric Industrial, hattling for sales across a wide

C. Itoh, the top trader in sales, reported a 0.3 per cent rise in sales, despite declines of 30.3 per cent and 38.9 per cent in imports and exports respectively.

Sales were also dulled by an accounting change last year under which traders book only the difference between selling the difference between selling and buying of gold bullion. Excluding gold transactions, sales rose 12.6 per cent. Pre-tax profits, meanwhile, climbed to e record Y54.3bn.

C. Itoh expects sales to rise 2 per cent to Y21,000bn and pre-tax profits 1.3 per cent to Y55bn in the year to end-March 1992. Sumitomo Corp., the second largest trader, posted the

LEADING JAPANESE TRADING COMPANIES" 19.0 (+2.5) 36.5 (+4.1) 77.2 (+ 10.3) 19,212 (+ 12.8) Santono 54.8 (+8.3) 19.015 (+4.2) 22.2 (+ 0.8) 68.0 (+1.8) 43 0 (+ 4.6) 17,421 (+4.8) 9.6 (+ 3.5) 24.5 (-25.1) Nissho Iwal

highest pre-tax profits at Y77.2bm, up 10.3 per cent. Company sales rose 12.8 per cent, with growth reported strong in all divisions. Particular rises included 28.1 per cent for chemicals and field.

Sumitomo expects sales to rise 5 per cent to Y21,000bn and pre-tax profits 5.6 per cent to Y92bn in the current fiscal year. Marubeni posted record sales

of Y19.015bn, up 42 per cent, on strong domestic demand and higher crude oil prices. Domestic transactions rose 12.3 per cent and overseas transactions 19.4 per cent.

Marubeni forecasts sales up 0.6 per cent to Y19,200bm, while

pre-tax profits will fall 88 per cent to Y50bn in the year to end-March 1992 Mitsui reported a rise of 7.8 per cent in sales to Y18.23bn, led by a 13.5 per cent rise in international transactions. The company forecasts sales rising 4.2 per cent in the current fis-

cal year to Y19,000bn and pretax profits 6.4 per cent to Y70bn. Mitsabishi posted a 14.4 per cent rise in pre-tax profits, to a record Y94,35m, as machinery and information related

operations gained 11.5 per cent

and 7.5 per cent respectively.

Mitsubishi expects sales in
the year to end-March 1992 to
rise 0.5 per cent to Y17,506bn
and pre-tex profits 5.8 per cent
to Y1000m.

to Y1000m.

Nissho Iwai posted the only declines in sales and pre-tax profits, which were down 11.3 per ceut and 25.1 per cent respectively. Excluding gold transactions, company sales rose 2.7 per cent. Higher interest rates and a 46.5 per cent drop in exports and 23.1 per cent in imports were behind the declines.

Nissho Iwai forecast a further 11.5 per cent drop in sales

ther 11.5 per cent drop in sales to Y12.500hn and 22 per cent in pre-tax profits to Y20bn in the year to end-March 1992.

Fujitsu advances 0.2% to Y127.26bn for year

By Robert Thomson in Tokyo

and intensified compatition in personal computers.

Ou a consolidated basis, sales rose 10 per cent to a record Y4,686bn (\$33.77bm) but pre-tax profits fell 4 per cent to Y258.8bn. Net income was down 8 per cent at Y120.8bn. At the the parent company, which accounts for much of the operation inside Japan, pre-tax profits fell 13.1 per cent to Y175.4bn.

For the current year, Toshiba forecasts a 6 per cent increase in consolidated sales to Y4,980bn and a marginal increase in pre-tax profits to FUJITSU, tha Japanese computer company, reported a marginal 0.2 per cent increase in pre-tax profit to Y127.26tm (\$922.17m) in the year to end-March, as domestic com-puter sales improved but sales of electronic devices were weak and the company's debt servicing burden increased. Total sales of the parent rose

10 per cent from a year earlier to Y2,338hn, with sales of communications equipment up 14.6 per cent, thanks to strong demand from Nippon Telegraph and Telephone (NTI), while sales of information processing equipment rose 12.2 per

However, electronic device sales fell 7.7 per cent, with sales of memory devices affected by sluggish demand.

The company is presently expanding its semiconductor production capacity, and is hoping for stronger demand this year for its newer

chips.
Fujitsu said consolidated sales are likely to rise 23 per cent finis year, as sales will be included from the UK-based International Computers (ICL), the European computar manufacturer, which is now 80 per ceut owned by Fujitso.

ICL recently reported annual pre-tax profits down 26 per cent at £110m (\$190m.) For the current year, the parent company expects a 6 per cent increase in pre-tax profit to Y135im, and an 11 per cent increase in sales to Y2,600im.

Printing group climbs 9% to Y33.31bn

TOPPAN Printing, Japan's second largest printing company, lifted net profits nine per cent to Y33.31hm (\$200m) in the year to end-March 1991. compared with Y30.55hn in the previous year, Renters reports from Tokyo. Sales increased to Y846.2bo.

against Y781.58bm.
Toppen forecasts a buoyant year, with net profit climbing to Y34bm and sales rising to Y905bn in the year to end-March 1992.

Earnings per share for the current year are Y51.71, against Y47.57 a year ago and are expected to rise to Y52.78 in the year to March

Toppan Printing intends to retain a Y10 a share annual dividend.

FT/AIBD INTERNATIONAL BOND SERVICE



STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amo

This notice is given for information only and does not constitute any recommendation by the Company or the Trustee as to whether any of the Bondholders' Put Rights or any conversion rights should or should not be exercised. Bondholders who are in any doubt as to what (if any) ection they should take should consult their professional advisers. This notice is given by Yukong Limited. Dated 24th May, 1991

Bankers Trust Company, 1 Appoid Street, B

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

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By Louise Kehoe in San Francisco

INTEL, the primary supplier of micro-processors and related semi-conductor devices to the personal computer industry, said its business outlook was "excellent", despite stagnant unit sales in the personal computer market.

Intel said its second-quarter earnings were likely to top analysts' projections, which average 94 cents per share. Mr Craig Barrett, Intel executive vice-president, told shareholders at the annual meeting that Intel expects "double digit percentage revenue growth" in the current second quarter, over the first quarter's record

\$1.13bn.
Intel's revenue growth
reflects its increasingly domi-nant role in the micro-proces-sor market. Intel has been a significant beneficiary of the trend towards higher performance personal computers, powered by 32-bit micro-proces-

sor chips.

In past generations of personal computers, Intel com-peted with several "second source" suppliers of its 16-bit micro-processors, including Advanced Micro Devices. Intel has , however, refused to license other merchant chip makers to make its 32-hit microprocessors, thus gaining a virtual monopoly on the mar-

AMD, which says that it aims to "break Intel's microprocessor monopoly" yesterday also issued a bullish forecast.
Mr W. J. Sanders III, AMD chairman, said he expected the company to return to double

digit pre-tax profit margins no later than the fourth quarter. Mr Sanders said the company's sales of its recently intro-duced AMD 386 microproces-sor, which is compatible with the Intel 386, were exceeding expectations. He also hinted that AMD is developing Its own version of Intel's more advanced 486 microprocessor. But Intel does not expect AMD's 386 microprocessor to

have a significant impact upon its sales. Demand for Intel's microprocessors has heen boosted by recent personal computer price reductions, the company said.

IBM selects McKinney to spearhead changes

INTERNATIONAL Business Machines, the world's largest computer manufacturer, is taking increasingly profound steps to combat the deep structural changes in the worldwide computer industry which are badly damaging sales and

Mr David McKinney, its top executive in Europe, has been recalled to IBM's Armonk, New York, headquarters to take up a special assignment which effectively gives him a lot of responsibility for determining the shape of the IBM of the future.

Raporting directly to Mr John Akers, IBM chairman, Mr McKinney will take responsibility for overseeing changes in the way IBM is organised, both internally and in its relations with other companies. He will focus on improving IBM's efficiency and reducing bureau-

Over the past three years IBM has put in place plans to reduce headcount by almost 50,000, including the elimina-tion of 8,000 managerial jobs.



David McKinney: recalled to company headquarters

It has strengthened its product lines and set up partner-ships and alliances with thousands of smaller companies in the computer business. Despite these changes, its first-quarter figures showed a loss and Mr Akers has been increasingly pessimistic about

the immediate future. Mr McKinney's new assignment is seen as a move to match the company's profile to the new market conditions resulting from improvements in technology and shifts to commodity products and ser-

Mr McKinney was yesterday unavailable for comment. It is understood he will also take responsibility for the company's communications, informaion systems and environmental staffs.

Mr Renato Riverso, formerly Enropean director general operations, takes Mr McKinney's place as president of IBM World Trade and president director genaral of IBM

He was appointed director general, Europe, working in tandem with Mr McKinney, in January this year, in a management shuffle which indicated IBM's satisfaction with its italian operations, often seen as a model of how IBM should trade in

AT&T close to leasing Sony its New York headquarters

By Martin Dickson in New York

AMERICAN Telephone & Telegraph appears to be close to leasing out its eight-year-old headquarters building in New York — one of tha city's most debated pieces of modern architectura - to Sony, the Japanese electronics

group.

The deal would consolidate
Sony's presence in New York from a scattering of huildings into a 35-storey tower, shesthed in rosy granite, on Madison Avenue in mid-town

Manhattan. Both companies declined to comment. Real estate execu-tives indicated a deal was in prospect hut said Sony was still discussing the terms of an option to huy the building at a later date. Sony, which has spent over

\$5bn buying up US entertain-ment companies over the past four years, would relocate

some 2,500 staff to the tower, mainly from Sonv Music Entertainment, formerly known as CBS Records

AT&T announced in January it was trying to lease the building as a cost-saving measure, although it said then it intended to retain three floors for executives and board meet-

ings.
The tower, costing \$200m to huild in 1984, houses some 1,200 workers, and was completed only shortly before AT&T was broken up by the Federal courts, which spun off seven regional Bell operating

AT&T remained the largest long-distance telephone operator in the US.

If the deal goes through,
AT&T would have to return to

the city some of the sizeable tax breaks it received for con-structing the building and

using it as its headquarters. However, AT&T insisted yes-terday it would not be deserting New York. If the huilding was leased, its staff would be moved to other sites within the

Over the past 20 years, New York has suffered a steady exodus of large companies seeking cheaper headquarters locations, and there are fears the city's hudget crisis could accelerate the process.

The AT&T building, esigned by the noted architect Mr Philip Johnson, is widely regarded as New York's first post-modern skyscraper since it combines modern construction with a classical design.

The pediment is similar to the top of a piece of 18th century furniture, causing the building to be known as the "Chippendale skyscraper".

Canada **Packers** triples earnings

By Bernard Simon

CANADA PACKERS, the Toronto-based food processor controlled by Billsdown Hold-ings of Britain, tripled its first quarter earnings, but cau-tioned that a less spectacular increase was likely for the year as a whole.

year as a whole.

The company, shortly to be renamed Maple Leaf Foods, said income for the first quarter was C\$10m (US\$8.77m), or 15 cents a share, against C\$3.1m, or 5 cents, a year ear-

The present Canada Packers The present Canada Packers was created last year from a merger of the original Canada Packers and Maple Leaf Mills, and the 1990 figures are a proforma representation of their combined performance.

The jump in first-quarter earnings was largely due to costs stemming from last year'a closure of an abattoir in Burlington, Ontario.

Operating income rose more modestly to C\$21.8m from C\$19.8m. The closure of the Burlington plant also contributed to a 16 per cent fall in sales to C\$806.4m. The sale of Canada Pecker's dairy and result butter business to characteristics. peannt butter businesses has also shrunk revenues.

Mr David Newton, chief executive, told the annual meeting that the company's improved balance sheet allowed it to consider sizeable acquisitions without under-mining its debt-to-equity ratio.

GTE offshoot to axe 4,900 jobs

GTE Telephone Operations, a unit of GTE of the US, is to cut its workforce by about 4,900 over the next four years as a result of a recent merger with the telecoms group Contel,

Reuter reports.
The GTE offshoot, based in Irving, Texas, has about 115,000 employees, including Contel workers.

"The reductions will be

accomplished mainly through normal attrition and early retirement plans," said Mr Robert Brand, director of media relations of GTE Tele-phone Operations.

French bonds fall again as franc continues to wobble

By Stephen Fidler in London and Patrick Harverson in New York

FRENCH government bonds fell again yesterday smid fears that the government may have lost its best opportunity to cut interest rates and worries among some international investors about the new

French government Bond prices were down by as much as a 14-point. Some investors believe that a weak franc may preclude an interest rate cut to follow that by Spain earlier in the week. Meanwhile, international holders of bonds

 although perhaps dominated hy trading accounts - con-tinue to sell honds amid concerns about the economic policy of Mrs Edith Cresson, the

new prime minister.
The Finance Ministry, however, said that the previous day's rumours about the introduction of a possible withholding tax were groundless.

This weakness opened up a yield differential of about 64 basis points in the 10-year maturities against the German

GOVERNMENT BONDS

market. This compared with 54 on Wednesday and as little as 44 about two weeks ago.

The German market was itself dormant at the long end, with most bond market activ ity concentrated in the fouryear area. Here, the Bundes-bank sold DM4.55bn of paper, newly-framed to attract international investors, keeping DM1.55bn for its own account at an average yield of 8.67 per cent. The sale was viewed as a

Otherwise, interest was focused at the short end of the market. Because of technical factors associated with the end of the bank reserve period at

BENCHMARK GOVERNMENT BONDS 103-25 +03/32 10 33 10 50 10 63 92-30 +01/32 10 23 10 32 10 14 91-18 -01/32 10 03 10 00 9 85 13 500 09:92 US TREASURY 99-18 + 02/32 8 06 8 11 98-12 + 02/32 8 27 8 32 6/99 88 4841 + 0.048 7 03 7.05 03/00 98 7465 + 0.083 6 63 8 62 3,000 01/01 104,0500 -0.010 8.35 8.42 8.33 FRANCE BTAN 9 000 02/96 98,9355 -0,224 8 99 8 93 OAT 9 500 01/01 103,0800 -0,580 8 99 8 85 9.750 06/01 100 8500 -0 400 9.62 9.63 9.68 NETHERLANDS 8 500 03/01 99 3400 + 0 030 8 59 \$ 63 8.53 AUSTRALIA 13 000 07/00 114 0554 -0 829 10 56 10 59 11 00 10 000 08/00 104 8500 0 150 9.18 8 97 8 94 London closing, "denotes New York morning session Yields: Local market standard Prices, US, UK in 32nda others in docimal

Tochercal Data: ATLAS Price Source:

the month eod and market holidays, call money rate dropped as low as 7.3 per ceot, way below the Bundeshank's tar-

■ THE UK government bond market had a dull day, but there were some hopes that it could be more excining today. Money market rates are now discounting a 'a percentage point cut in interest rates by the Bank of England this

morning. Rumours also emerged that the Bank might go for a 1 percentage point cut and decide at the same time that it would move sterling into the narrow hand of the European exchange rate mechanism.

There were also expectations that the Bank might announce in the afternoon a new tap stock for sale in late June. Although earlier market expectations were for a sale of medi-um-dated stock, now there are some expectations of a very long-dated stock, perhaps of 25 to 30 years. This may have

weighed on the long cod of the market, which was up only a point yesterday, while short-dated stocks managed around

■ A MIXED bag of economic statistics left US Treasury prices firmer at the short end but weaker at the long end yes-

terday morning.
At midday, the benchmark
30-year government bond was down 1/2 at 98.2, to yield 8.275 per cent. The two-year note, however, was up 1/2 at 100,

yielding 6.733 per cent. The most important set of economic data released yesterday was the durable goods orders for April, which were up 2.9 per cent compared with a year earlier. This would nor-mally have been bad news for the market, and did lead to an early sell-off of bonds, but prices at the sbort end perked

up as dealers discovered that non-defence capital goods orders - regarded as a useful leading indicator - were down 10.3 per cent on the mooth.

Insurers form European mutual alliance

INSURANCE companies from the Netherlands, Sweden and Denmark have announced what they claim is Europe's first three-way international alliance involving mutual own-ership scross national frontiers, writes Hilary Barnes in

Copenhagen.
The companies, each the

third-largest insurer in their markets, are the Dutch mutual AVCB, Sweden's mutual Wasa and Denmark's Topdanmark. which de-mutualised a few years ago. They had total income last year of about DKr30hn and equity capital of DKr20hn. They will set up a jointly-owned holding company

of international business. The holding company will in turn have substantial share-holdings in each of the three alliance partners. The three see the alliance as the best way for medium-sized Insurance groups to develop business internationally.



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INTERNATIONAL CAPITAL MARKETS

SA group in DM150m placing

BHF-Bank in Frankfurt is arranging a DM150m private placement with German investors to refinance a public bond issue made in 1984 hy the South Africa Department of Post and Telecommunications,

writes Simon London. South African borrowers are expected to refinance up to \$550m equivalent of maturing bonds with private placements in the German market this

A BHF Bank official said that the purpose of the transaction was to refinance a DM150m bond iseue which matures on June 16. No new money is being raised, and placement is concentrated among German retail invesOf the 20 outstanding public bond issues mede by South African borrowers in the 1980s, nine mature this year. Other issues which may be

refinanced include a DM50m issue by the Industrial Devel-opment Corporation of South Africa and a \$100m issue by the Electricity Supply Commission, both of which mature in

The majority of South Afri-can Eurobond issues were denominated in D-Marks and a total of DM630m of paper falls

While bankers are reluctant to talk about the deals in the open, they conceded that most of the maturing paper is being eucceesfully refinanced through private placements.

The success of these deals raises the question whether a public bond issue could be launched by a South African borrower in the international market. The last issues were

made in 1985. "These borrowers have had some good experiences in the German market and a new high-yielding issue would cer-tainly attract investors," commented one syndicate manager at a leading German bank in

Frankfurt. However, while private placements can be arranged, borrowers may see little advantage in making public issues "Until sanctions are lifted I

see little chance of public deal," said another Frankfurt-based banker.

Overwhelming demand for Eurofima Es7bn issue

NEW issues denominated in Portugese escudos and Swedish krona met with strong demand yesterday, underlining that many investors believe Euro-pean bond yields will cootinue

to converge.
For believers in convergence, the Portugese currency offers the highest yields and there-fore the best value.

Yesterday Eurofima lauoched a Es7bn five-year deal, lead managed by Banco Totta & Acores. The paper carries a coupon of 13% per cent and was priced at 101% but soon rose to 104% bid, buoyed by strong demand from institutional investors. tional investors.

Participants in the deal com-mented that the response from investors was overwhelming. Many firms noted that demand was now coming from ootside

FRENCH FRANCS

SWEDISH KRONOR ABS Finance Inc.(a)†

FT-SE 188 SHARE INDEXA

ESCUDOS

INTERNATIONAL BONDS

Europe, notably from US insti-tutions. The biggest hurdle to the further development of the sector is the limited supply of new bonds. Borrowers require approval from the Portugese anthorities and so far only supranational institutions have tapped the market. The European Investment Bank is expected to launch an issue next month. The rarity of currency and interest-rate swaps opportunities also limit the

number of potential borrowers. Sweden's decision a week ago to link its currency to the European currency unit (Ecu) has fuelled expectations of

NEW INTERNATIONAL BOND ISSUES

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99%

tement, \$Convertible, \$With equity warrants, #Floating rate note, #Final terms, a) Non-callable, b) Coupon pays onth Libor, Non-callable, c) Multiplier leave. Investors have option , each year, to reinvest coupon payments in

1012

193

lower interest rates and higher bond prices.

ABB Finance, the financing arm of Asea Brown Boveri, the Swiee/Swedish industrial group, took the opportunity to raise SKr300m with a five-year issue. The deal was lead man-aged by Deutsche Bank Capital Markets and carries a 10.5 per cent coupon. Bonds were issued at 99.75 and traced at less 1% bid, inside full fees of

fied a requirement for shorter term funding with a \$200m two-year deal lead managed by Warburg Securities. The bonds carry a 7% per cent compon and were re-offered to inves-tors at a fixed price of 99.975, where the paper yields 35 basis points over US Treasury bonds.

1% per cent. At this level the yield is 10.97 per cent. The Council of Europe satis-

35/20bp Parities Cap.Micts.

17/14 Deutsche Bk Cap,Mkts.

13/13 Doutsche Bk d'Investimente

in size and asks for help

By Stephen Fidler, Euromarkets Correspondent

MOSCOW Narodny Bank, the Soviet-owned bank incorporated in London since 1919, sharply contracted in size last year and turned once again to its shareholders for financial support, according to the

annual report. The banks' assets fell to £1.80bn at the end of last year from £2.54bn the year before. According to officials at the hank, this contraction undertaken voluntarily - has fallen further this year,

towards £1.5bn. The bank shrank through the sale of performing assets and the running down of inter-bank deposits and borrowings.

Moscow Narodny also received help from one of its main shareholders to cover a £26m provision required under the Bank of England's rules to cover its exposure to Bulgaria, which stopped servicing its

debt last year.

The shareholder, Vneshekonombank, the Bank for Foreign Economic Affairs, paid
the bank the full amount of
the loss which would have
arisen because of the provi-

Last year, shareholders con-tributed to a £27m capital increase for the bank - taking the combined ownership of Vneshekonombank and the State Bank of the Soviet Union (Gosbank) to over 58 per cent. In the previous year, a share-bolder took over the bank's problem sovereign loans.

The annual report also says that the book value of the bank's freehold properties – buildings in the City of London and Singapore – exceeds the market value by 11 per cent. However, the directors regarded the deficit as "ter rary, reflecting the short-term decline in the [UK] economy, and do not consider a write-down in book value to be appropriate". Land and build-ings are assessed at £57.8m in

In 1990, net banking profit rose to £22.02m, from £21.54m, d by a rise in fee income But after transfers to provi-sions and inner reserves, and a £7m tax charge, net profit fell to £100,000 from £290,000.

the report.

Soviet-owned bank shrinks French give strips the go ahead

MR Pierre Berégovoy, the French finance minister, yesterday opened the way to a new market for strips by authorising for the first time the repackaging of French government bonds

J.P. Morgan, the US bank which is a primary dealer in the French government bond market, immediately announced that it was launchimmediately ing the first strips operation.
It will strip the longest-dated French government bond, OAT 8.5 per cent 2019.

A strips operation involves repackaging a bond into its separate interest rate and capital components. The result is a series of zero-

coupon securities representing the interest payments due over the life of the bond, and a larger zero-coupon security representing the final capital repayment

By enabling investors to select a security with a maturity exactly corresponding to their own requirements, strips can expand demand for a bond and allow borrowers to issue at slightly lower yields.
The finance ministry said yesterday that the opening of

the strips market should there-fore result in savings on public debt servicing costs, although officials indicated these were likely to amount to only a few

In the US, 30-year interest strips tend to trade at yields 10 Accrual on Treasury Securi-



Piere Beregovoy: allowed the repackaging of bonds

to 40 basis points lower than the theoretical yield curve of the original bond, although shorter maturities can be cheaper than the curve

The larger size, and therefore liquidity, of principal strips tends to make them more expensive still, at 20 to 50 basis points. The strips market in the US

dates back to 1981 and 1982, when investment banks developed "Tigers" (or Treasury Investment Growth Receipts) and "Cats" (Certificates of ties) by placing Treasury bonds in a trust and issuing new securities guaranteed by these

In 1984, the US Treesury took over this market by launching the Separate Trading of Interest and Principal of

Securities programme. This programme removed the risk that the trusts might default by making the strips direct obligations of the government of the programment of the

bonds on which they were The French rules are closely modelled on the US, where over \$120bn of bonds have

already been stripped.

Stripping will be carried out by the Sicovam, the French stock registry centre, in part-nership with one or more pri-

mary dealers. The strips will themselves carry the state's guarantee. French Finance Ministry officials say this form of market provides better liquidity

and makes it easier to put the strips back together again to form the original bond. The trust form of strips, which was recently used on the 2011 Ecu bond issued by the Italian government, is simpler to organise but offers less

The OAT 2019 selected for the first French strips opera-tion has FFr46bn outstanding and is the longest French government bond on offer.

in the US, long lesues are the most popular strips candidates, and over half of outstanding 30 year Treasury bonds have been

stripped.
Government officials will encourage banks to strip bonds that are still being issued, to benefit from any reduction in

Bankers contend that the principal advantage of the strips is in allowing pension funds and insurance companies with long-term liabilities to tailor their cash flow exactly

to their needs. But J.P. Morgan argues that strips will also attract bullish investors by offering greater leverage over long periods than ordinary bonds.

if bond market yields drop by 25 basis points, for example, Morgan calculates that the investor would get an additional 2.5 per cent return on the OAT 2019 bond, compared with a 6.77 per cent return on the 2019 principal strip.

This leverage will elso

attract foreign investors, hy reducing their exposure to exchange rate risk.
Strips protect investors against "reinvestment risk".

Morgan says.

The quoted yield on a bond assumes that interest payments can be reinvested at the same rate, but if interest rates

fall, the overall yield actually pocketed will be less then this.

Swiss tax change 'may develop money market'

THE Swiss National Bank of Euromarkets trading (SNB) hopes that moves to abolish a securities turnover tax will help develop a Swiss money market, Reuter reports from Zurich.

If a federal tax reform pack-

age is approved in the June referendum, it was conceivable that Switzerland could soon have tradeable short-term debt certificates akin to US Treasury bills, said Mr Jean Zwah-len, a director of the SNB.

Currently Switzerland's only money-market instrument is paperless money-market claims which are relatively illiquid and technically awkward to

As a result, the Swiss franc money market exists largely abroed, in the form

Mr Zwahlen noted that the lack of an efficient money market deprived tha SNB of an extra channel to apply mone-tary policy, in addition to its traditional methods of short-term currency swaps and the placement of federal funds

with commercial banks in the form of sight deposits. If the SNB's idea of Treasury hills — Schuldbuch-Schatzanweisingen - comes about, Mr Zwahlen said these would be much simpler to trade than the current money-market claims. Mr Markus Lusser, SNB president, noted Switzerland

was unlikely to have the large public debt that was the basis for more developed money

Setback for European cross-border share trading

By Richard Waters

STOCK market enthorities from the European Commu-nity's 12 member-states agreed yesterday to take a significant step back from their planned joint venture to support crossborder share trading.

The exchanges, through the Federation of Stock Exchanges in the EC, first agreed nearly two years ago to build a joint information network to carry share prices and company news concerning leading Euro-pean companies. Their inten-tion was to create the hasic infrastructure on which a Europe-wide share trading sys-tem could be developed.

At a meeting in Athens yes-terday, though, the exchanges are understood to have agreed

that their earlier plans were too ambitious and that more research and planning needs to be done. The setback follows months

of disagreement between the exchanges over the purpose of the joint venture. In an announcement today, they are expected to play down these disagreements and emphasise their continuing commitment to work together on ways of supporting cross-border trad-

The company set up to devalop the network, Euro-quote, is to continue in exis-tence. However, the exchanges will not now subscribe the Ecul2.3m of capital which had been due in the coming weeks.

WORLD COMMODITIES PRICES

FT-A	CTU	ARIE	S \$1	LARI	E INI	DICE	S			
[®] The Financial Time in conjunction with the										
EQUITY GROUPS		Thur	sday N	lay 23	1991		Wed May 22,	Tue May 21	May May 20	Yestr ago (approx
& SUB-SECTIONS Figures in parentheses show number of stocks per section	Index No.	Day's Change	Est. Earning Yield% (Max.)	Gress Olv. Yleid% (Act at (25%)		xd adj. 1991 to date	ladex No.	Index No.	ladex No.	hades Na.
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2 Suilding Materials (24)	1074.76	+0.7								
3 Contracting, Construction (31) 4 Electricals (10)	100.00	+0.2	9.24							
5 Electronics (25)	1761 64	+0.3	8.89							2513.2
5 Electronics (25)	477 54	+0.4	16.33							1848.1
7 Engineering General (47)	438 50	+0.4	12.76							
8 Metals and Metal Forming (8)	445.76	+0.3	20.05				444.58			
9 Motors (13)	326.19	+0.4	12.39				324.82			
O Other Industrial Materials (20)	1483.65	+0.4	9.53							
1 CONSUMER GROUP (188)	1454 63	+0.7	8.20				1444.93		1441.96	
2 Brewers and Oistillers (22)	1805.29	+0.7	8.42		14.61	21.60			1797.16	
5 Food Manufacturing (20)	1358.72		9.92			18.39	1158.68	1162.27	1153.26	1063.2
6 Food Retailing (16)	2750.42	+0.3	7.94				2742.16	2763.53	2737.94	
7 Health and Household (21)	3319.30	+1.2	5.79		19.74	29.05	3279.71	3259.81	3262 37	
9 Hotels and Leisure (23)	1298 60	1 +03	10.46		11.28		1295.14			1421.8
O Media (26)	1456.10	+1.1	9.40	4.79			1440.82			0.0
1 Packaging, Paper & Printing (17)	669.07	+0.2	8.10		15.47		667.93			585.2
4 5tores (33)	904.73	+0.7	8.80	4.04	14.85		898.11			781.9
O OTHER GROUPS (197)	222.40	+0.2	10.42	5.87	11.86		533.65			
1 Business Services (12)	1230 11	+0.3	9.94	5.11 5.30	12.37 11.38	11.16 13.23	1221.61			
1 Business Services (12)	1257,11	+1.2	6.44	5.31	13.46	28.71	1337.81		1220.92 1339.00	1244.9
3 Conglomerates (10)	1460 64	+0.2	10.43	7.11	11.57	17.49	1457.93		1486.77	
4 Transport (13)	2201 R7	+0.1	11.18	4.72	11.04	26.91	2199.20		2190.93	
5 Electricity (14)	1239.71	+0.3	11.18	5.38	11.20	0.00	1236.43		1212 91	0.0
6 Telephone Networks(4)	1489.71	+21	10.24	4.03	12.74	0.00		1659.90	1452.65	1186.6
5 Electricity (14) 6 Telephone Networks(4) 7 Water(10)	2471,80	+0.7	13.83	5.55	8.08	39.69		2464.13		
B Miscellaneous (23)	1880.06	+0.3	6.29	4.96	20.35	22.21	1874.05		1872.93	
INOUSTRIAL GROUP (481)	1232.47	+0.7	9.37	4.60	13.13	15.77	1223.99	1229.53	1223.05	
	2339.57	-0.2	10.76	5.69	12.10	50.59	2345.00	2368.22	2348.53	
500 SHARE INDEX (500)	1327.16	+0.6	9.55	4.74	12.99	18.51	1319.59	1326,46	1318.95	1234.3
FINANCIAL GROUP (97)	795.65	+0.6	-	5.98	-	18.07	790.90	799.97	796.10	776.0
2 Banks (9)		+1.4	7.73	6.20	18.77	22.63	880.42	887.57	880.13	825.7
Insurance (Life) (7)	1445.75	+0.1	-	5.72	-	41.64		1464.20	1460.85	1357.9
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Insurance (Brokers) (8)	1070.el	-0.5	7.37	6.28	17.66	21.24	1075.54	1091.44		1066.1
Merchant Banks (7)	964 20	-0.3	440	4.80	20.40	4.47	422.58	423,91	426.26	440.8
Property (40)	200.29	-0.1	9.24	5.00	20.68	7.90	969.06	983.47	962.38	1076.3
Level new Torte (70)	207.23			6.38	13.45	4.75	284.64	284.52	284.59	301.4
Investment Trusts (70)		+0,1		3.46				1211.29	1203.50	
ALL-SHARE INDEX (667)1	198.71	+0.6	-	4.87		_	1191.99	1199.03	1192.35	1124.67
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	FIX	(ED I	NTE	RES	r			AVERAGE GROSS REDEMPTION YIELDS	Thu May 23	Wed May 22	Year ago (approx.)
	PRICE INDICES	Thu May 23	Day's change %	Wed May 22	Accrued Interest			British Government Low 5 years	9.14 9.76	9.15 9.74	11.32
3	British Government Up to 5 years (28) 5-15 years (29) Over 15 years 8) Irredeemables (6) All stocks (70)	121.53 130.80 137.23 149.92	+0.02 +0.01 +0.07	149.83	2.47	5.15 5.02	456789	(0%-74,%)	10.20 10.12 10.48	9.89 10.32 10.20 10.12 10.50 10.36 10.25 10.16	10.92 12.37 11.51 11.11 12.48 11.82 11.42 10.90
6 7	Index-Linked Up to 5 years (1) Over 5 years (10) All stocks (11)	159.11 147.24	-0.05	159.10 147.31 148.20	0.08 0.95		14	inflation rate 5% Up to 5yrs. Inflation rate 5% Up to 5yrs. Inflation rate 10% Up to 5 yrs. Inflation rate 10% Over 5 yrs.	4,21 3,16 4,02	4.08 4.21 3.15 4.01	5.29 4.17 4.21 3.99
9	Delis & Luani (56)	109.45	+0.03	109.41	2.03	4.30		Debs & Syears Loans 15 years 25 years	11.88 11.65 11.45	11.88 11.65 11.45	14.53 13.50 13.07

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The FT-Actuaries Share Indices Service

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Storehouse halved to £6m and no relief in sight

By John Thornfilli

SAL TIMES FRIDAY MA

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STOREHOUSE, the retailing conglomerate which owns BAS and Habitat, reported a severe drop in annual profits as the effects of its restructuring programme and the recession took their toll.

Moreover, Mr Michael Julien, chief executive, warned that the retailing climate showed little sign of improve-ment in the first half of the

ment in the first half of the current year.
"It is very rough out there. We are swapping blow for blow with our competitors," he said. Taxable profits halved from £12.8m to £6.2m in the year to March 30. However, these figures were depressed by an exceptional item of £14.8m (£19.8m) relating to the extensive store rationalisation programme and associated redundancy costs. dancy costs. Turnover dropped from

£1.31hn to £1.21bn as sales weakened markedly in the sec-After extraordinary write-

Net profit was £12.13m, up from £8.52m. The final divi-dend is 14.5p, lifting the total from 19p to 20.5p.

Mr Brian Williamson, chair-

man, said the discount house business, which trades bills,

had not made money despite the fall in base rates from 15 per cent to 12.5 per cent over the period. This was because

Receivers go in

Westerly, the yacht huilding

westerry, the yacht hinting and shoe manufacturing group, was yesterday put in adminis-trative receivership, writes David Churchill.

This follows the decision ear-

lier in the week to appoint administrative receivers at Westerly Yachts, its boat build-

ing subsidiary. Last week it stopped production of its lux-

ory yachts following a slump in demand as a result of the recession and the increase in VAT to 17.5 per cent.

administrators, from Price Waterhouse, followed the fail-

watertoolse, temporal tile talks ure of last minute talks between Westerly and its bank-ers, including Barclays which was seeking repayment of a \$2.3m overdraft.

The decision to appoint

at Westerly

By David Lascelles, Banking Editor

GERRARD & National Holdings, the City of London financial services and discount house group, lifted profits by 42 per cent in the year to April 5, hnt tha increase came mainly from non-traditional budnesses.

The price gaine from rate reductions were discounted well in advance by the market. Suggestions that Gerrard had made large profits out of last October's entry into the wrong he said.

ing from the disposal of several businesses, Storehouse incurred a net deficit of £7.1m focused on five businesses in (£1.1m profit) for the year. BAS saw a higher rents hill reduce its profits contribution from £27.4m to £21.6m, although sales edged ahead marginally to £617.7m.

Habitat was enbstantially shaken up and its head office was reduced from 350 people to 120. Even. so, the chain lost £11.9m (£8.9m) although most of the losses occurred in the The speciality retailing divi-sion recorded a mixed perfor-

mance but operating profits fell from £18.7m to £9.5m. Earnings per share, excluding exceptional items, fell to 3.7p (5.1p). The total dividend was maintained at 5p - after a final of 2.5p - reflecting the strong balance sheet.

O COMMENT Tha Storehousa story sounds After extraordinary write—simple. After some fairly bru-downs of £11.2m (£7.4m) result—tal—but badly needed—

Gerrard & National rises 42%

had made large profits out of last October's entry into the ERM by the UK were also wrong he said.

broker where taxed profits rose by nearly 30 per cent to £2.97m.

Gerrard Vivian Gray, the

Acatos to £2.8m

Depressed demand cuts

stockbroking subsidiary, made an overall loss in the year to January 25, though it had since

By Michiyo Nakamoto

TAXABLE profits at Acatos &

Hutcheson, the edible oils and fats group, fell to £2.8m in the

six months to March 31, against £3m in the comparable period

period.

The result was struck on lower turnover of £115.74m (£140.89m) and comparas favourably with the company's performance in the second balf of 1990, when pre-tax profit

There was an extraordinary

item of £300,000 resulting from its decision to terminate its

involvement in Macisa, a joint

venture in Spain.
After conclusion of the joint

venture, the group saw a £2.2m

slumped to £1.2m.

Profits had come from diversified activities in the deriva-tive markets, glit-edged market making, and GNI, the 70 per cent-owned futures and options

aims for June target By Maggie Unry BRENT WALKER, the leisure group negotiating a refinanc-ing with its banks, has effec-tively set itself a deadline of which it fully prepared to invest. The accountants have

seemingly done their stuff; it is

now up to the retailers to sell

sight. This year pre-tax profits may amount to £15m putting

may amount to £15m putting the company on a largely irrel-evant prospective multiple of 33. The shares are to some extent underpinned by the div-idend yield and asset backing but nevertheless look set to disappoint in the short-run.

returned to profitability.

Gerrard also announced the

acquisition yesterday of LM (Moneybrokars) from Exco

(Moneyhrokars) from Kxco International LM specialises in stock lending and has a net asset value of £15m. In its latest financial year it earned £4m before tax. The consideration is £12.5m cash plus £1m a year for the next three years.

Mr Williamson said tha acquisition formed part of the group's strategy of investing

group's strategy of investing its capital in promising mar-kets. Ha stressed that Gerrard was steadily diversifying away from its discount house ori-

surplus arising against a £6.9m provision made in September 1990. Of that sum, £1.9m is

being used to repay a loan.

Acatos had to abandon plans

to go private last year after agreement with a potential equity investor fell through in November. The shares yester-

day closed up 2p at 93p.

The group warned that trading conditions remained diffi-

cult as high UK interest rates depressed demand and the

strength of sterling hampered the group's price competitive-ness in the face of imports. Earnings per share rose to 5.1p (5p) and the interim divi-

dend is unchanged at 1.75p.

Brent

Walker

June 6 to agree proposals for a restructuring of its balance themselves back into prosper-ity. But Storehouse'e troubled legacy and the current terrible trading conditions suggest the company still has a very long way to run. The end of the recession is nowhere to be It announced that holders of 93 per cent by value of its £101.9m convertible bond had agreed to the postponement of the interest payment due yes-terday until June 6 "to provide seen, the cost pressures in the business are about to escalate the company with an opportu-nity to determine the precise and the competition from the likes of Marks and Spencer will only intensify. Storehouse's merits as a recovery play are wearing rather thin consider-ing there is no recovery in

terms of the restructuring to be put to bondholders."

In order to put terms to the bondholders the group will have had to finalise the have had to finalise the restructuring. This is intended to match the its finances to its longer term trading position, and is expected to involve asset disposals. Currently the company's operating profits do not cover the interest payable on its £1.50n of debt.

Rankers involved in the

Bankers involved in the Bankers involved in the talks said it was possible that the restructuring could be tied up by the deadline. However, they noted that the group had missed other deadlines, notably when the convertible bond was issued last November, at the time a temporary refinanc-ing was agreed with the

ing was agreed with the group's 60 or so banks.

Bankers said talks so far had gone well, although there was still a wide gap between the husiness plan Brent Walker had submitted on Tuesday and that of the bankers. Leading lenders remained optimistic that the group's survival could be ensured.

Holders of £34.9m worth of the bonds agreed to wait for

the bonds agreed to wait for their interest, while investors in the remaining bonds were naid their interest yesterday, costing about £450,000. The statement was issued after the stock market closed

after the stock market closed with Erent Walker chares unchanged at 28p and the bonds quoted at 53 per cent of their par issue price. Yester-day's interest payment on the bonds, which should pay 13 per cent each year, was the first due since their issue.

Although the bonds ware offered to all Brent Walker onered to all stent walker shareholders, only 254 took them up — investing £510,000.

Mr. George Walker; chief executive of the pubs, betting, leisure development and property group, and his family bought £29.5m worth of the issue He also belied to line up. sue. He also helped to line up

other buyers.
These included Jefferson
Smurfit, the Irish-based paper and packaging group, and its chairman Mr Michael Smuriit who together took £25m. Svenska International, one

of the leading leaders to Brent Walker and a member of the steering committee of Brent Walker's banks, took £16m.

Creditors hope to sight a phoenix

Richard Waters on criticisms facing Polly Peck's administrators

LEXANDRA PALACE, A the late Victorian pleasuredome that dominates much of the north London skyline, is no stranger to financial disaster. A commer-cial white elephant since the day it was built, its fire-dam-aged hulk has just cost £61m to reconstruct — much of it financed by debt. What better meeting-place for creditors of Polly Peck International, who will gather today to hear if (and when) they can hope to recover the more than Elbn

owed by the group?
Ally Pally is likely to witness some fierce debate. Many credi-tors and shareholders of Polly Peck, the fresh fruit and elec-tronics group that went into administration last autumn, are unhappy with the way the insolvency has been handled so far, and are likely to make their views felt at what is the first full-scale meeting to have been called.

The complaints fall into two

camps. First, some creditors are impatient at the thought of waiting years to get any money back, and question why Polly Peck's assets cannot be realised sooner. Second, many feel that the administrators have failed to keep sufficiently informed of what has been going on, and that their report to creditors two weeks ago contained little new information

about the group. Mr Michael Jordan, the Cork Gully senior partner who has led the administration, is forthright about the first complaint. "The husiness community doesn't appreciate what reha-bilitation is all about," he said. "They all think administration is just another form of liquida-tion, but it isn't."

The administrators job is to keep the business affoat and develop its various businesses, develop its various businesses, rather than liquidate it as soon as possible, he said. Their report has already spelt out the possible disastrous consequences of an immediate liquidation; a recovery of only 20p in the pound, compared with more than 50p in the longer term if the group is kept afloat. Some creditors have suggested that the figure of 20p

Alm Barge Michael Jordan, left, and Richard Stone, administrators likely to face a stormy meeting is unduly pessimistic and has have been told that £959m of Polly Peck group money has been lent to its Turkish and northern Cypriot operations. But they have been given no said yesterday: "The adminis-tration is consuming a lot of much of it may be recovered, of even what assets there are in the eastern Mediterranean. cash. They keep saying, give us time. Maybe I accept what they are saying at this stage, but we

thing apart from the sale of a few antiques." Despite the anxiety in some quarters, though, there was

quarters, though, there was general agreement yesterday that the edministrators would get sufficient support to keep the group afloat, at least for the time being.

Warburg Soditic, the Swiss arm of SG Warburg, which organised SFr600m (£240m) of bond issues for Polly Peck and so speaks for a large number of so speaks for a large number of creditors, said yesterday: "There's always frustration when people lose money. But these things take time - it's

been advanced to hrowbeat the creditors into backing the

administrators. One large creditor, who declined to be named,

can't wait another six months without them achieving any

nothing compared to the time a chapter 11 can take in the US." There will be little today to assuage creditors' second com-plaint – that too little infor-mation has been released by tha administrators. Creditors

the huge cash outflows to the area in recent years.
The administrators' hands are tied in large part by a legal agreement with Mr Mentes Aziz under which they have agreed not to make any information about the Cypriot situa-tion public without prior agree-

Since early this year, an injunction obtained by directors of Unipac and Sunzest Creditors will also be asked today to decide a tussle Trading, two Polly Peck sub-sidiariee on the island, has between institutions which bave been struggling for a place on the five-person credi-tor committee, which will over-see the future progress of the effectively barred the administrators from gaining access to the Cypriot operations, Negoti-ation with the directors' law-yer, Mr Mentes Aziz, and the administration. The seats are likely to go to the leaders of bank syndicates, or others who can count on substantial crediapparent support of the north-ern Cypriot and Turkish authorities, may now have tor support - Warburg Soditic, for instance, said it already eased the problem.

of Polly Peck's assets on the island, it owns one completed hotel and several under construction. Polly Peck's other Cypriot

From what is already known

operations consist of a fruit export company (Sunzest) and a cardboard box manufacturer (Unipac). It is expected that some new information about assets in

Cyprus will be revealed today, although not enough to explain

Mr Jordan says he would like to see at least one institu-tional shareholder on a tenmember advisory committee to be appointed today. That way, sbarebolders who have seen their £2bn company reduced to rubble will at least be able to walk away from Alexandra Palace feeling it hasn't all been

had proxy votes from holders of SFr250m of Polly Peck's

Tace showdown with institutions set for June 19

By Andrew Bolger

TACE -the environmental control aquipment group, yesterday set June 19 for its show-down with two institutional shareholders - Norwich Union and Framlington - which

wish to install a new board. Sir David Nicholson, Ta chairman, regretted that attempts to reach a compro-mise had been rejected. However, Tace further polar-

ised the situation by announcing the appointment as a nonexecutive director of Mr Bob Morton, who holds a 5 per cent stake through his company

Southwind. . . . Mr Morton'e appointment will be unwelcome to the two institutions and if shareholders support the resolutions they have tabled Mr Morton would be turned out with the rest of the board, including Sir David.

The institutions, which last year ousted Mr Jock Mackenzie, the group's founder, want a board led by Mr Michael Beckett, who quit in April after

Dated: May 24, 1991

clashing with Sir David. Mr Dick Richardson, Tace's managing director, said plans for a capital reconstruction and rights issue had been "put on the back burner" until the board's future was resolved. He said Mr Morton had be

one of several people willing to underwrite the proposed rights issue, but would not now be able to do so as a director.

Sir David said: "Norwich Union appears to see this as a test case for investor protection and corporate governance. It is nothing of the kind. It is the attempt of one very powerful institution bolding only 5 per cent of your company to impose on this board its own nominee, Mr Beckett, as chair-man, when in the circumable to do so as a director. stances the board does not in a letter to shareholders, regard Mr Beckett as suitable."

Preliminary Announcement of Results for the year ended 31 March 1991



"Commitment to quality..... emphasis on efficiency"

- Pre tax profits and e.p.s. up over 12%
- 14-8% increase in dividends for the year
- Investment of £255tn

Final Dividend per Share 11-8p

Summary of	Preliminary Res	ults
	1991	1990 Pro forma
Turnover	£388-9m	£354-7m
Profit before tax	£114·1m	£101-3m
Earnings per share	52·2p	46-5p
Dividends		
- Interim	5-9p	
— Final	11-8p	
	17-7p	15- 4 2p
Investment	£255m	£189m

Copies of the Annual Report and Accounts will be posted to shareholders in early July. If you would like a copy please write to: The Company Secretary, Yorkshire Water plc, 2 The Embankment, Sovereign Street, Leeds LS1 4BG.

Takare plans debenture placing to raise £15.75m

By Jane Fuller TAKARE, the nursing home group, is raising £15.75m to fund its rapid expansion by placing debenture stock.
Mr Keith Bradshaw, chair-

man, said the group had more than 3,000 beds in use or in units being hullt, and by the end of this year the figure would pass 4,000. Its plan is to keep growing at a rate of 1,000 to 1,200 beds annually.

Takare has expanded from about 600 beds at the end of 1988, tha year it joined the Third Market. In 1989, when it moved up to the main market, it reised £21m via a rights issue and debenture stock plac-ing. Last summer, a share placing pulled in £18.8m.
Mr Hamilton Anstead, finance director, said that before the latest money-raising move, net debt stood at about £20m, giving gearing of 40 per cent. The debenture stock, yielding 12.5 per cent, would be used to replace short-term borrowings.

After spending £32m on building last year, a further £30m-£38m would be absorbed this year and borrowings would rise to £40m.

Takare made a pre-tax profit of £4.4m (£2.15m) on turnover of £14.9m (£8.5m) in 1990. The share price rose 3p to 137p yesterday.

DIVIDENDS ANNOUNCED Current Date of ponding payment payment dividend Total last year 3.5 6 6.4 nii 11.8 July 22 July 25 Aug 15 July 11 Sept 11 July 1 July 1 July 1 July 18 Aug 15 July 31 July 19 July 26 July 19 July 19 July 19 July 26 July 19 July 19 July 26 July 19 July 19 July 26 July 19 July 26 July 19 July 26 July 19 July 26 July 27 Jul ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## 2 | ## Archer (AJ) Berry Birch British Telecom . Dobson Park Whitbread ______ Yorkshire Water ____ Dividends shown pence per share net except where otherwise stated

COMMERZBANK OVERSEAS FINANCE N.V. U.S.\$ 100,000,000 Floating Rate Notes Due 1995 In accordance with the provisions of the Notes notice is hereby

given that for the six months period from May 23, 1991 to November 25, 1991 the Notes will carry an interest rate of 10% per annum with a coupon amount of U.S.\$ 516.67 on U.S.\$ 10,000 and U.S.\$ 2,583.33 on U.S.\$ 50,000.

COMMERZBANK #

NOTICE OF REDEMPTION TO THE HOLDERS OF **ENTE NAZIONALE PER L'ENERGIA ELECTTRICA** (E.N.E.L.) (the "Company")

U.S. \$100,000,000 9 1/2% Debeatures due 1995 **Guaranteed by the Republic of Italy**

NOTICE IS HEREBY CIVEN, that, as permitted by Condition 5(c) of the Fiscal Agency Agreement dated June 23, 1980 of the Debentures, the following Debentures in the aggregate principal amount of U.S. 511,300,000 have been drawn for redemption on July 1, 1991 (the "Redemption Date") at the redemption price (the "Redemption Price") of 100% of the principal amount thereof:

1			SE	RIAL	NUM	BERS	OF TH	E DE	BENT	URES	CALL	ED FO	R RE	DEMP	TION			
2544	2575	2583	2591	2595	2599	2604	2615	2624	2629	2683	2698	2701	2712	2713	3714	2715	2716	2720
2729	2734	2741	2751	2754	2759	2769	2777	2785	2768	2791	2795	2796	2798	2799	2800	2501	2803	2805
2809 3708	2810	2811 3713	2618	2822	2826	2834	2637	2341	2850	2852	2853	-864	3668	3672	3677	3661	3699	3702
3512	3710	3/13	3728 3821	3736 3872	3737 3825	3738	3739	3743 3832	3747	3757	3779	3783	3784	3785	3787	3769	3799	3800
3943	3945	2954	3957	3991	3992	3928	3830 3996	3990	3834 4002	3840 4010	3858 4016	3863 4017	3868	3883	3898	3900	3932	3940
4039	4041	4042	4045	4049	4052	4058	4063	4064	4068	4078	4079	4087	4018	4022 4108	4026 4113	4026	4031	4032
4128	4133	4134	4135	4137	4140	4143	4145	4145	4149	4152	4161	4165	4176	4178	4179	4114 4181	4118	4126 4187
4192	4211	4723	4225	4226	4236	4239	4245	4247	4258	4259	4261	4764	4268	4269	4272	4273	4302	4479
4490	4491	4492	4501	4616	4617	4621	4632	4633	4641	4646	4650	4654	4662	4667	4673	4678	4681	4684
4722	4527	4531	4730 4832	4737 4837	4731	4743	4364	4765	4777	4775	4779	4780	4787	4793	4796	4807	4809	4811
4922	4927	4934	4336	4937	4547 4941	4848 4942	4860	4864	4865	4866	4869	4870	4888	4897	4904	4912	4913	4019
5022	5024	5031	5038	5043	5044	5046	5048	3051	4966 5055	4968 5057	4974 5061	4979 5063	4983 5067	4988	4991 5080	5009	5010	5021
5304	5306	5310	5317	5322	5324	5046 5328	5331	5332	5334	5339	5341	5342	5354	507S 5360	5367	5081 5372	5084 5380	5087 5381
5382	5395	5397	5399	5413	5414	5420	5478	5440	5456	5458	5459	5445	5475	547	5482	5491	5492	5496
5502	5512	5517	5518	5522	5526	5538	5541	544D 5542	5456 5543	5544	5549	5445 5558	5559	5560	5573	5579	5542	5587
5591	5593	5594	5597	5403	5610	5619	5621	5623	3624	5630	5632	5635	S64D	564I	5645	5646	5649	5651
5653 5776	5656 5778	5659	5665 5790	5682	5687	5688	5693	3699	5700	5724	5731	5741	5752	5757	5762	5769	5770	5771
5838	5848	5781 5850	5855	5793 5859	5798 5862	5801 5864	5602 5868	3507 3869	5810 3873	5817	5818	5820	5821	5823	3828	5829	5631	5436
5957	5060	5966	5971	5973	5974	5488	5992	3069 3098	6001	5858 6002	5894	590€	5907	5911	5921	5936	5940	5949
6069	6027	6079	6081	4089	6091	6092	6094	6101	6104	610s	6008 6109	6119	6034 6138	6037	6043	6046	6048	6064
6378	6191	6194	61 99	6201	6206	6211	6218	6223	6228	6232	6243	6254	6259	6147 6263	+161 6264	6172 6265	6266	6175 6249
6274	6275	6278	6287	6298	6300	6303	6306	6307	6310	6312	213	6314	6315	6316	6324	6339	6347	6352
6362	6367	6379	6383	6384	6394	6401	6402	6406	6409	6411	6419	6422	6474	6428	6662	6445	6449	6451
6458 6525	6459 6529	6462	6534	6464	646E 6536	6470	6471	6474	6478	6479	6482	6484	6486	6489	6495	6502	6516	6517
6594	6597	6599	6603	6607	6613	6540 6614	6545	6547	6550	4556	6557	6560	6565	6574	6583	6587	6589	6593
6484	6668	6677	6678	6679	6681	6682	6617 6692	6698	6631 6703	6632 6711	6633 6712	6636	6644	6646	6651	6657	6462	6663
6758	6763	6768	6774	6777	6787	6788	6796	6807	6814	6816	6423	6719 6842	6730 6843	4748	6749	6750	6754	6756
6845	6868	6880	6886	689 I	6892	6895	6895	6905	6906	6908	4910	4912	6914	6844	6849 6874	6926	6861	6862 6940
6945	6052	6953	6157	6958	6963	6964	6965	6967	6974	6977	6981	6983	6985	6958	6996	7002	7007	7009
7011	7016	7020	7027	7028	7029	7032	7039	7040	7045	7017	7057	7065	7070	7075	7076	7080	7081	7083
7092	7097	7099	7100	7102	7105	7112	7113	7115	7117	7118	7128	7130	7136	7140	7143	7151	7152	7158
7159 7447	7167 7449	7168 7450	7182 7456	7184 7458	7401 7463	7406 7464	7412	7413	7417	7418	7419	7425	7426	7427	7631	7437	7442	7443
7509	7511	7512	7514	7519	7523	7524	7465 7530	7471 7534	7472 7535	7474 7536	7479	7480	749I	7497	7498	7503	7505	7506
7558	7559	7565	7581	7552	7583	7586	7589	7591	7507	2600 -536	7537	7539	7542	7546	7547	7549	7552	7556
7636	7637	7638	7643	7644	7645	7658	7650	7670	7671	7677	7401 7679	7613 7680	7418	7619	7622 7609	7627	7632	7634
7735	7748	7754	7643 7755	7644 7757	7758	7763	77:4	7783		-68	7791	7799	7683 7602	7698 780a	7811	7709	7717	7726
7622	7824	7528	7831	7836	7837	7838	7851	7853	2856	-858	7566	7869	7882	7893	7895	7812 7896	7814	7820
7906	7911	7912	7913	7914	7919	7923	7930	7933	7936	7743	7958	7964	7965	7971	7977	7979	7997 7980	7900
7995	80 11	8041	2056	8080 8296	8067	8091	8097	\$D93	8097	8106	BIII	8115	8121	4123	8139	8140	8150	7986 8152
8154	2166	8170	\$171	8296	8209	821 0	8211	8212	8216	\$218	8227	5233	6243	8247	8258	8268	8270	8273
8279	8781	82 99	8205	3297	8306	6312	9324	8328	8330	8337	6338	8340	8341	3345	8346	8345	8351	8359
5360	8362	8363	8364	8368	8377	R379	8380	8381	8382	8383	839 I	E397	8399	6403	8405	8414	8415	8422
8447 8526	8453 8534	8458	8463 8548	8467	8471	8476	8484	8485	8501	8503	8505	8507	8511	8515	8518	8519	6522	8525
85407	560E	8546 8412	8619	8553 8621	8555	8559	8567	8571	8575	8577	8580	2571	3582	2595	2596	8597	8601	8606
8687	8695	8698	\$699 8619	8621 8709	8627 8711	8635 8712	8637 8713	8646	3649	8655	8657	6465	9666	8668	6669	8677	8654	8685
8744	8754	8763	8766	8769	8794	8795	8797	8714	8716	8717	B727	6730	8731	6734	8735	8736	1739	1742
8543	8846	3E50		8859	8961	8862	8865	8802 8876	8809 8880	881) 8883	5812 8884	6158 0968	8517	8825	8829	4633	8841	8842
8919	8924	9732	8854. 8935	8942	5943	8950	8951	8953	8958	8961	8966	8967	8891 8973	8898	9905	5909	5911	6912
8006	8998	9047	9050	9057	9074	9077	9079	9061	9098	9103	9104	8106	9109	8977 9112	8983	8984	8987	8991
9141	9151	9160	9174	9175	9176	9180	9156	9187	9196	9284	9206	9220	9221	9224	9114 9227	9119	9120	9123
9247	9256	9264	9272	9290	9293	9294	9297	9302	9304	9305	9309	9312	9329	9347	9351	9237 9356	9241	9245
9374	9377	9382	9387	9290	9400	9407	9411	9412	9416	9415	9420	9422	9424	9430	PL32	9434	9363 9635	9366
9449	9457	9466	9470	9425	9454	9487	9939	9942	9943	9947	9949	9950	9954	9956	9960	9962	9964	9438 9967
9969	9970	9977	9983	9985	9986	9943	9997	9904								_		
P	aymer	ut of th	e Red	empt	on Pri	ce wil	pe w	ade o	n or al	ter Ju	y 1, 1	991 up	on pr	esenta	tion at	nd sur	rende	of the

Payment of the Redemption Price will be made on or after July 1, 1991 upon presentation and surrender of the Debentures called for redemption, together with all coupons appertaining thereto maturing after July 1, 1991 at the Corporate Trust Office of the Bank of Tokyo Trust Company in New York City, 100 Broadway, New York, NY 10005 or at the principal office in the city indicated of any of the following Paying Agents: The Bank of Tokyo, Ltd. in London; The Bank of Tokyo, Ltd. in Brusseis; The Bank of Tokyo, Ltd. in Hong Kong The Bank of Tokyo, Ltd. in Singapore.

From and after the Redemption Date, interest on the Debentures to be redeemed will cause to accrue and all coupons maturing after July 1, 1991 shall become void. The coupon for the interest payable on July 1, 1991 should be detached and presented in the usual manner at the specified office of any Paying Agent. After the Redemption Date, Debentures in the aggregate principal amount of U.S. 330,900,000 will remain outstanding.

ENTE NAZIONALE PER L'ENERGIA ELECTTRICA By: The Bank of Tokyo Trust Company



UK COMPANY NEWS

Yorkshire Water ahead of Regulator's shadow over season of results expectations with £114m

YORKSHIRE Water yesterday underlined its determination not to encourage a dividend race as it kicked off the reporting season for the

Sir Gordon Jones, chairman, announced a final payment of 11.8p. bolding the annual increase at 14.8 per cent to 17.7p for the year. He stressed the company's commitment to a "progressive medium term"

dividend policy.

Pre-tax profits for the year to March 31 came out at the higher end of market expectations at £114.1m (£101.3m). Turnover was £388.9m (£354.7m) and earnings per share 52.2p (46.5p).

Sir Gordon said overall increases in charges for 1991-92 were about 13 per cent, just below the permitted maximum for Yorkshire and the lowest for the 10 companies.

The company was slightly ahead of schedule on its £2.5bn 10-year capital expenditure programme, having sharply increased spending from £189m to £255m. The profile of the programme meant that spending would now remain at current levels.

Yorkshire continued to put a high emphasis on raising efficiency. Efforts last year included a reorganisation which would eliminate 170 jobs. Operating costs rose by 8 per cent to £282.9m (£262.1m).

The company said the adverse impact of the recession on revenues was no more than £3m. But it had increased bad debt provisions in real terms The drought had also created

cost pressures. Factors beneficial to costs included negotiation of new electricity tariffs, the switch to the uniform business rate and lower-than-expected charges for civil engineering and tun-nelling. High interest rates benefited net interest receivable of £8.1m (£8.7m).

The enterprise division, which comprises Yorkshire's non-core activities such as laboratories and engineering, contributed £7.1m to turnover.

The comparisons are with pro forma figures for 1989-90, during which period the water companies were privatised. The actual reported figures for that year were: pre-tax profits £57.7m, operating profits £94.4m, and the dividend pay-

36% setback for Dobson Park being taken to cut manufactur-

DOBSON PARK Industries, the mining equipment, industrial elsctronics and toys group, blamed difficult trading conditions for a 36 per decline in pre-tax profits, from £10.16m to \$5.53m for the six worths to £6.53m, for the six months to March 30.

Turnover dropped by 12 per cent to £114.17m. Rannings per share fell 40 per cent to 3.52p (5.87p) but the interim dividend

is maintained at 1.9p.
Mr Gordon Marshall, chairman, said the lower sales levls, particularly in the industrial electronics, power tools and toys divisions, illustrated recessionary conditions in both the UK and US, although European markets were still

buoyant.
The deterioration in mining equipment operating profits to £2.07m, compared with £4.16m, resulted from lower level of UK demand, partly offset by an increase in overseas business. and rationalisation costs of

about £1m. Overall restructuring costs rose from £100,000 to £1.3m. In the past six months, the group has shed about 580 jobs. Property and investment

management profits of £456,000 were down from last year's exceptional £1,4m which followed the sale of a factory in Ealing. Interest payable fell from £1.21m to £378,000. Further measures were

ing activities to match current volume expectations. In particular, the Britains toy site in Walthamstow, north London, would be closed before the end of the calendar year, with the loss of a further 200 jobs, and its manufacturing activities transferred to the Petite factory in Nottingham.

Mr Marshall said there had

been few detectable signs yet of any recovery in general husiness levels. However, because of more mining equipment contracts and the sea sonal nature of the toys business, he was looking forward to an improvement in the sec-

Airflow Streamlines declines by 62%

TAXABLE PROFITS at Airflow Streamlines, the Northampton-based vehicle can manufacturer and Ford main dealer, dived by 62 per cent over the 12 months to February 28. The final distribution is halved.

The fall in profits – from £3.2m to £1.22m – came on

reduced demand for cab assem-

Declining demand also affected the Ford and Iveco dealerships with profits in the

Earnings per share were 8.97p, down from 23.32p, and the final dividend is halved to 2p for a total of 4p (6p).

Clare Pearson reports on a warning to bear in mind the duty to customers R IAN Byatt, director general of the Office of Water Services,

cast a shadow over the sector yesterday as what is expected to be a bumper results season for the 10 companies began. While Yorkshire Water was

announcing a 13 per cent increase in annual pre-tax prof-its, Mr Byatt was dispatching a letter to the companies pointing out the risks of unexpect-edly high increases in dividends and profits.

The letter warned that: "If companies were to ... pay out dividends above those antici-pated when the K factors were set they would need to be ready to answer pointed questions from customers and from the regulator."

He noted that the rise in inflation since the regulatory regime was created in 1989 had presented "problems for customers." He said that when bills were rising rapidly, "customers will not expect companies to make unnecessarily high profits ... and pay out excessive dividends."

The letter was the clearest indication yet of Mr Byatt's stance, although it followed some heavy hints of his grow-ing concern about the implications for customers of the companies' buoyant profitabil-

It comes as the companies find themselves in the poten-tially embarrassing situation of

having introduced charge increases averaging about 15 per cent this year, while plummetting inflation is pushing down costs.

Yorkshire Water, the first company to report, has adopted a circumspect approach to what looked, at the interim stage, like a divi-dend race. But much bigger rises than Yorkshire's 14.8 per cent are expected from other companies over the next few

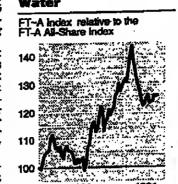
Behind their apparent generosity is a sharp improvement in profitability over that expected in 1989 when the regulatory system was created. The key tool in this regime

is the so-called K factor, part of a formula by which each com-pany is allowed to raise charges above the rate of inflation annually over the next 10 years, so that they can handle their massive capital expenditure programmes to meet improved standards.

Mr Lakis Athanasion, water analyst at UBS Phillips & Drew, believes that the pre-tax profits the companies announce for the year to end-March are likely to be on average 20 per cent higher than envisaged in the K negotia-

Part of that out-performance can be attributed to changed economic conditions: the bene-fit of higher interest rates on cash balances and the reces-

Water

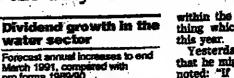


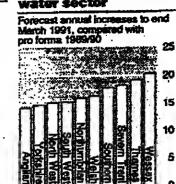
sion in the building industry, which has contained construc-

tion costs. Meanwhile, higher than expected inflation has meant that the companies have been delivering dividend increases which look extremely good compared with the stock mar-

But then, back in the pre-re-cessionary days of 1989, it was thought necessary to factor into their structure the ability to increase annual dividends hy about 4 per cent in real

argue that it is not just favour-able changes in economic conditions that have fuelled prog-ress. They say it also reflects efficiencies which are genuine results of management action.





How to define such efficiencies is likely to be at the heart of their dealings with the regu-

lator Mr Byatt has a number of tools at his disposal to control the companies. All the K factors come up for review in 1994 and Mr Byatt is bound to change them in the light of economic conditions. He is also free to make

diustments earlier. For one thing, he can reject applications from companies for so-called cost pass-through items: expenditure that could not have been anticipated at privatisation that can be made up for by the cus-

Additionally, he can put pressure on companies to keep annual charge increases well within the K factors - some-thing which they did not do

this year.

Yesterday's letter hinted that he might do just that. He noted: "If companies do not need to plough back unexpectedly high profits, they may wish to consider not taking up the whole of their K factor when valuing micros in Ansil when raising prices in April

The threat to the companies should not be exaggerated. Whatever he did, Mr Byatt would hardly go so far as to ruin their financial health. And his letter states that he has no wish to "deny the importance of incentives in a price-cup regulatory system." Indeed, news of his letter had no effect on prices of water shares yesterday. They are being driven by a broader consideration about the utilities sector. That is the expectation that the offer price, to be amounced next week for the privatisation of the Scottish electricity companies will leave water companies looking

Nevertheless, it looks as if Nevertheless, it looks as if the companies themselves would be well-advised to apply some hard thinking to how they might justify where their profits are coming from it is only a month before their reports on cepital expenditure and services, which they are required to submit annually, are due on Mr Byatt's deak.

turnover virtually static at £65.18m (£66.14m), Directors said that already

blies worsened during the second half and substantial redun-dancy costs were incurred. The situation was "severely com-pounded" by the deferred introduction of a new product line. Overall, the manufacturing division sew profits fall from £1.87m to £726,000.

motor division down to

On prospects the company aid that demand for cab assemblies remained at a low level and the sale of new cars

and trucks was affected by the recession, however other activ-tiles of the motor division continued to be satisfactory.

Miller halved to £10.75m after land write-downs

By James Buxton, Scottish Correspondent

MILLER GROUP, the Edinburgh-based concern which is one of the UK's largest privately-owned construc-tion and development compa-nies, saw its pre-tax profits halved from £21.54m to £10.75m

last year.
In results which Mr James Miller, chairman, described as "a little hit disappointing," turnover fell 8 per cent to £235m (£256m). Write-downs on land and

property totalled £5.5m this

time, whereas in 1989 Miller had benefited from the sale of properties at favourable prices, The company said that con-struction, its largest subsid-iary, had suffered from the

general downturn in orders and squeezed contract margins within the industry, especially in the south of England. It was responding in part by develop-ing joint ventures with compa-nies offering specialist con-

struction skills.

Miller Construction was chomiller construction was can-sen recently to build the £23m privately-funded hridge between the Scottish mainland and the Isle of Skye.

Mr Miller, the largest share-holder in the family controlled

company, said he thought it would be 1992-93 before the effect on the construction industry of very keen contract prices had worked its way

Agreement on BCMB sale

By David Lascelles, Banking Editor

Administrators of British & Commonwealth Merchant Bank confirmed yesterday that they have reached agreement in principle to sell the bank to Charterhouse, the msrchant banking arm of the Royal Bank of Scotland.

They said they hoped to exchange contracts by the end of June with completion soon

If the deal goes through, it is expected that BCMB's deposi-tors and other creditors will be repaid in full, BCMB has £100m of stock-

broker client money which has been frozen. It has been in administration since last summer's collapse of its parent.

Dutch activities behind Plysu's advance to £7.5m

By David Owen

PLYSU, the plastic packaging and housewares manufacturer, reported record pre-tax profits of £7.52m as its Dutch operations combined with lower interest costs to offset the impact of the UK recession. This compared with £5.51m in the year to March 31 1990

and with £6.82m the year before. Turnover climbed 11 per cent to £65.27m (£58.58m). Plastic bottle activities had a more difficult second half than anticipated, partly because of higher polyethylene prices as a result of the Gulf war.

There was also a period of. shortage when the company "could not always be sure of obtaining the optimum grades

of material." The situation is now "much improved". Houseware business was hit

by lower consumer demand, but this was more than offset by improved efficiency. Dutch sales and profits were both "well ahead" of last year, with turnover of £8.63m.

Capital expenditure amounted to \$5.6m, mainly on further lifting the milk bottle capacity. Interest costs were £1.04m (£1.5m), while year-end gearing stood at 22 per cent. Earnings per share were 11.4p (8.6p). A final dividend of 3.15p makes a total of 4.5p

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(3.5p). The shares climbed 9p to



Results for fourth quarter and year to 31 March, 1991

	San	Increase	£m,	Increase
Turnover	3,401	3.8%	13,154	6.8%
Operating profit	899	5.8%	3,531	10.0%
Profit before tax	7 56	10.5%*	3,075	14.2%*
Profit after tax	515	12.4%*	2,080	16.3%*
Earnings per ordinary share	8.6p	15.6%*	34.0p	16.4%*
Dividends per ordinary share (net)			13.3р	12.7%

14.10.00 25.34.44 14.22 14.14 14.12 14.18 14.

WOOLWICH **BUILDING SOCIETY**

£200,000,000 Floating Rate Notes Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three mouth interest period from (and including) 22nd May 1991 to (but excluding) 22nd August 1991, the Notes will carry an interest rate of 1111 per cent, per annum. The relevant interest payment date will be 22nd August 1991. The coupon amount per £10,000 Note will be £294.59 payable against surrender of Coupon No: 22.

Hambros Bank Limited Agent Bank

RESULTS FOR THE YEAR ENDED 5TH APRIL 1991

1991 1990 Profit for the year after tax £12.128 m £ 8.523m Total cost of dividends £ 7.986 m £ 7.265m Disclosed shareholders' funds £94,299m £ 88.643m

GROUP PROFIT FOR THE YEAR Group profit for the year ended 5th April 1991 amounted to £12,128,000 after providing for taxation and minority interests. Group profit has been struck after a modest transfer to inner reserves (1990 no transfer). As described below a provision has also been

taken directly against inner reserves. DIVIDEND A final dividend of 14.5 pence (1990 16 pence) is proposed. This together with the interim dividend of 6 pence (1990 3 pence) will make a total distribution of 20.5 pence, which represents an increase of 7.9% on 1990. The proposed final dividend on the ordinary 25p shares will be payable on Monday 1st July 1991 to shareholders on the register at the close of business on Priday 14th June

DISCLOSED SHAREHOLDERS' FUNDS The Group's disclosed shareholders' funds at 5th April 1991

amounted to £94.3 million compared to £88.6 million last year. TRADING CONDITIONS During our year to 5th April 1991 United Kingdom Clearing Bank Base Rates fell from 15 per cent to 12 1/4 per cent. In the first half of the year they fell by one per cent in one movement, and in the second half of the year by one and a half per cent in three reductions of a half per cent. Whilst these falls presented favourable trading conditions accurate timing was important as the reductions were often discounted by the markets well in advance.

REVIEW OF OPERATIONS Gerrard & National Limited and Gerrard & National Securities Limited, the

market making subsidiaries, which are effectively managed as one unit, both traded profitably. Overall

tracing profits were buoyant and were evenly split between the first and second half of the financial year with profits being made in all four quarters. This year a contribution was also made by Gerrard & National Options Limited which makes markets in Stock Exchange Index futures and options. GNI Limited our 70% owned subsidiary, which operates as a futures and options broker and fund

manager, benefited from the continued growth in futures and options markets and after tax profits

increased by nearly 30% to £2.97 million. Gerrard Vivian Gray Limited, our stockbroking subsidiary, while profitable in the first half of its year incurred losses in the second half resulting in an overall loss for the period to 25th January 1991. In the quarter since then Gerrard Vivian Gray has returned to profitability as Stock Exchange turnover has

increased and as the loss making financial services division has been cut back:

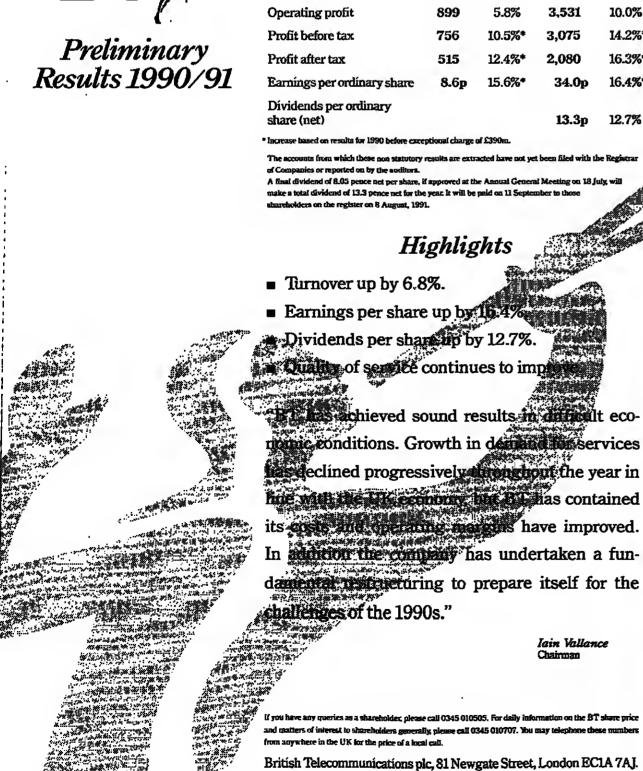
for any further provisions.

Last year we stated that we had reviewed all the Group's operations and intended to withdraw from nesses that did not have realistic prospects of providing an appropriate return on capital. During the course of the year we have continued to run down our commercial banking business. Because of the extent of adverse economic conditions and the consequent difficulties in obtaining the repayment of loans at full value this withdrawal led to the need for further significant provisions in October 1990, as previously stated, and again finally in April 1991. The Board is now confident that there will be no need

ACQUISITION Last year we also stated that we would seek new areas of business if they met our criteria. We have now agreed to acquire the Stock Exchange moneybroking business LM (Moneybrokers) Limited from Exco International PLC. Details of this acquisition are set out in a separate press release also published today and shareholders will receive a circular with details in the

SUMMARY 1990/91 was a successful trading year. Further reductions in interest rates as inflation subsides and as the economic recovery proves musted should benefit the market meding subsidiaries, and our other subsidiaries are well positioned to take advantage of any increased turnover in their

23rd May 1991



UK COMPANY NEWS

Thames TV plunges as **Exchequer levy soars**

TIMES FRIDAY WAY

vities behind

D. 5 TH APRIL 1991

2 1/2

E LE TOTAL

THAMES Telavision, the largest of the ITV franchises, saw pre-tax profit drop to £10.07m in 1990 after sharp rises in the Exchequer levy and redundancy costs.

About 300 redundancies had

No comparative figures were available because Thames previously reported for the nine months to December 1989. But in that period pre-tax profit was 2.6 times greater et \$26.35m.

£26.35m.

Thames, which is 56 per cent owned by Thorn EMI, is facing competition for the London weekday franchise, serving 4.3m homes, from Carlton Television and CPV-TV.

Mr Richard Duun, chief executive, said the "dreadful" £21m Exchequer levy (£12m for nine months) was £11m higher than it would have been under the previous method of calculation.

enne, rather than profit, and the use of the more buoyant 1989 as a base year had led to

Operating profit before the levy was £41.29m (£35.42m) on

£2m was incurred by Reeves, the US production subsidiary bought for £59.6m in January

last year and resulting in a total cash outflow of £72.3m. It contributed programme sales

of £22.2m.

Mr Dunn said performance this year depended partly on the syndication or sale of two big series. The acquisition's costs were to some extent offset by a £4.5m exchange gain.

Net borrowings in December were £40.3m and interest costs for the year were £2.1m (£2.9m received).

Debt was set to come down substantially over the next 18 months, said Mr Dunn. Net assets fell to £44.5m (£101.5m), reflecting a £51.5m goodwill

reflecting a £51.5m goodwill write-off on Reeves. The exten-sive programme library was not on the balance sheet.

tnrnover of

of £28.2m.

cost £7.5m (£2m), bringing the workforce down to 1,450, com-pared with a peak of 2,244 in 1986. A further 200 plus reduc-tion was plenned. tion was planned.

Taken with a £1.6m increase

in the bill for the ITN news service, after accounting errors at ITN, these three charges knocked about £18m off profit,

Mr Dunn said.

Advertising revenue had declined since August and Thames' share of network revenue fall to 15.2 per cent (15.7 per cent). In the first quarter the network total was down 6.8 per cent while Themes' share. per cent, while Thames' share improved to 15.5 per cent.

Depressed motor sales trim Trimoco to £2.5m

by 34 per cent, from £3.8m to The Saudi Arabian Jameel organisation, which last year took over Hartwell, the Oxford-

based motor distributor, has a 244 per cent stake in Trimoco and holds most of the outstanding convertible loan stock. Conversion would take

it to 33.4 per cent.

Trimoco's turnover for the year to March 31 declined to £245.62m (£280.78m). Mr Keith Hill, finance director, said the main disappointment had been new car sales. Most of the company's franchises are Ford.

Motor dealership operating
profit fell from 26.17m to

FORD'S falling share of the UK car market and depressed margins in the motor trade saw pre-tax profits at Trimoco fall car profit fell 17 per cent.

Mr Hill said that conversion of loan stock to equity and reduced working capital had reduced net debt to 220.75m (£31.44m) and improved share-holders' funds, giving gearing of 66 per cent compared with

123 per cent.
Fully diluted earnings per share were 1.39p (2.34p). A final dividend of 0.8p makes an unchanged total of 1.4p.

Shaftesbury into red

THE CONTINUED decline in the property market hit Shaftesbury in the half year ended March 31 1991, and it incurred a pre-tax loss of £5.50m, against

a profit of £194,000.
Included were provisions of £3.88m, comprising £2.04m against the cost of certain development properties and £1.84m for the share of provisions against properties held as current assets by associates.

Rents receivable rose to £2.9m (£2.64m), hnt interest

£2.9m (£2.64m), hat interest charges increased to £3.03m (£1.24m). No interest was capi-talised. Losses per share were 23.9p (earnings 0.46p).

Financing details of Medeva's US buy

Medeva, the pharmaceutical group, has announced the financing details of its \$74.4m (£43m) purchase of MD Pharmaceutical, its first US acquisi-

Consideration is \$72.2m in cash, which Medeva has arranged to be satisfied by the allotment to the vendor of 33.1m new ordinary shares. In addition, the vendor will be granted an option to acquire up to 3m ordinary shares at a market-related formula price.

A further 11 92m new ordinary market related formula price.

A further 11.92m new ordi-nary will be issued to provide \$2.2m to fund incentive \$2.2m to fund incentive bonuses for senior managers and key employees of MD Pharmacentical and about £10m for working capital and costs of the placing.

The shares have been conditionally placed with institutional and other investors at 1200 per chara and under the

126p per share, and under the open offer Medeva shareholders and warrant holders are being offered the 45.02m new ordinary on the basis of 1-for 3.

Citybond and Hays agree offer terms

Directors of Citybond Storage Services and Hays have agreed the terms of a recommended cash offer from Hays of 132p cash for each Citybond share. A separate agreement, which depends on the offer becoming depends on the offer becoming unconditional in all respects, has been reached with Citybond "A" shareholders in respect of their shares.

The total value placed on Citybond by the offer and the agreement is about £2.8m.

Archer cautious on dividend payment

Reflecting increased agent's fees, AJ Archer Holdings lifted pre-tax profits from £650,000 to £708,000 in the half year to

This Lloyd's underwriting agent is holding the interim dividend at 3.15p but could give no assurance that the 5.25p final would be main-

Mr Richard Maylam, chair-

car profit fell 17 per cent.

Property profits rose to
£2.38m (£1.79m), thanks to rent
increases charged internally to
motor dealerships.

Overall, operating profit fell
17.5 per cent to £6.56m
(£7.98m). Interest payable was
£4.06m (£4.16m).

Mr Hill said that conversion

Shaftesbury man, warned that the underwriting conditions in 1988,1989 and 1990 would have an adverse impact on the results and the level of dividend for the financial years 1992 and

He said since March 31 the group had received profit com-mission for the 1988 account of £2.2m, only half of the 1987 fig-

ahead to £0.63m

After a year's absence Berry Birch & Noble is returning to the dividend list with a pay-ment of 1.5p.

Turnover of this financial

Turnover of this financial services and insurance broking group rose from £4.92m to £5.28m in the year ended January 31 1991, while pre-tax profit expanded from £400,000 to £528,000.

Net interest received came to £66,000, against £6,000 paid. There was an extraordinary charge of £106,000 (£56,000) representing costs related to the withdrawal from micro-electronics. Barnings per share were 6.2p (4.3p). were 6.2p (4.3p).

James Crean lower with I£19.6m

James Crean, the Dublin-based food, household goods and industrial equipment whole-saler, reported a 9 per cent fall in taxable profits from 1921.55m to 1219.6m (£17.7m) in

Turnover fell to I2179.72m (IE184m), income from related companies dropped to I21.73m (IE4.68m) and interest charges rose from IE1.5m to IE2.74m. Earnings per share were a lower 45.1p (53.3p) and there is no final dividend proposed (10.4765p). Instead, a first interim dividend of 10.4765p in respect of 1991 is declared.

Morland benefits from draught sales

Moriand, the Thames Valley brewer, lifted turnover 18 per cent and pre-tax profit 12.5 per cent in the year to March 31

Mr Jasper Chutterbuck, chief executive, said the outlook for the rest of the year remained satisfactory. Negotiations with Courage to purchase 100 pubs were proceeding to plan.

Turnover amounted to £15.25m (£13m), operating profit to £2.29m (£1.88m), and the pre-tax balance to £2.67m (£2.28m) after surplus on property disposals of £225,000

(£279,000). Mr Chitterbuck said sales of draught beer increased by 6 per cent. Additionally there had been a continuing swing from lager to ale with a consequential and beneficial impact



Young tops £5m as beer sales rise

INCREASED BEER sales

INCREASED BEER sales helped lift annual pre-tax profits of Young & Co, the south London-based brewer, by 9 per cent from £4.62m to £5.03m.

Beer volumes were 5 per cent higher and margins improvad in a generally depressed market. Gains were made both in the brewer's 155 mbs and in the free trade. "We not on the balance sheet.

There was a 25.6m extraordinary provision against an investment in an Australian television company that had gone into receivership.

Earnings per share fell to 13.3p (34.4p) or 23.2p (37p) before exceptional items. The dividend was effectively maintained at 16p (12p) after a proposed final of 10.85p. pubs and in the free trade. "We are seeing a swing back to tra-

for Young's ale brands was now rising strongly in the "guest bear" market among pubs in other brewers' estates. Trading profit during the year ended March 30 rose 27 per cent to £6.86m (£5.39m) on turnover ahead 13 per cent at Earnings per share expanded

lager supremacy, said Mr John Young, chairman. 18 per cent to 28.38p (24.11p) and a proposed final dividend of 7p raises the total payout by 13 per cent to 13p (11.5p).

*Although the ontlook is somewhat unsettled, we are cautiously optimistic for the coming year and will take full advantage of the further opportunities that may arise as a result of the Monopolies and Mergers Commission report,"

Westbury slides into red and calls for £21m

By Andrew Taylor, Construction Correspondent

WESTBURY, the Cheltenham-based housebuilder, yes-terday became the latest construction group to make a cash

call on its shareholders.

It is seeking to raise £20.7m via a 1-for-3 rights issue of 16.61m shares at 130p apiece. The money is to be used to reduce bank borrowings which at the end of February stood at £55.8m, equivalent to 59 per cent of shareholders funds.

Construction and building materials companies have sought to raise more than £1bn of the £4.3bn which UK companies have attempted to raise from rights issues in the first five months of this year. The issue accompanied news

The issue accompanied news of a pre-tax loss of £8.12m for the 12 months to end-February. That compared with pre-tax profits of £28.12m in the previ-

ous year. Turnover amounted to £171.im (£174.36m). Westbury sold 2,576 homes - 13.7 per cent more than in the previous year. Averaga prices, however, fell from £72,700 to £81,900 as the group sold more houses to first time

Losses per share emerged at 14.5p, against earnings last time of 36.6p. However, the final dividend is again 5.75p for a maintained total of 9p.

The rights issue has been the first of the second of

wort Benson. Mr Fraser said the cash would be used "to reduce debt and strengthen the balance sheet by improving

interest rate cover. to strengthen its landbank by selective purchases of land at prices which are more realistic than they have been for sev-

eral years". Losses last year included an exceptional provision of £12.75m attributable to a write-down against the land-bank and £779,000 to cover

Companies in a far worse state than Westbury have, announced rights issues since the large amounts of construc-tion paper on offer at the moment, chose to look kindly on its announcement and the shares yesterday fell just 4p to close 10p above a theoretical.
ex-rights price of 152p. Gearing after the issue should fall to about 30 per cent underlining the sound state of the balance sheet by comparison with others. A fully-fledged housing recovery may be delayed until, next year. Nonetheless the rights look reasonable value even on a prospective p/e of more than 20 on pre-tax profits

Profits doubled in the last five years

Inchcape's 1990 results:

• Pre-tax profit: £174 million (1986: £85.6m)

•Earnings per share: 26.1 pence (1986: 12.4p)

•Dividend per share: 11.8 pence (1986: 5.25p)

Success of this order owes much to clear aims and a well focused strategy. By concentrating on a limited number of business streams and making them globally competitive, Inchcape intends quite simply to be the world's leading player in international services and marketing.

It is well equipped to succeed. Firm financial management, quality people, excellent relationships with principals and a presence in some of the world's fastest growing businesses and markets are central to the Inchcape ethos.

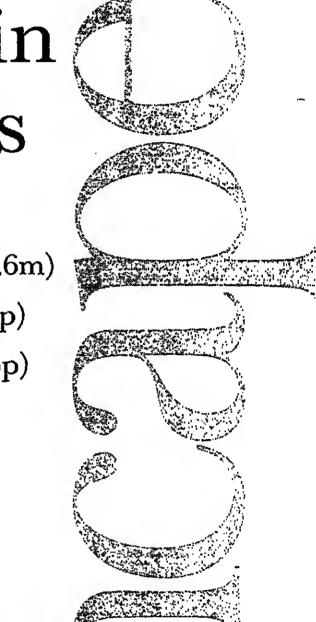
"The Group thinks long-term," says Chairman, Sir George Turnbull. "Our success since 1986 gives solid grounds for confidence as we look forward to the next five years."

For a copy of our 1990 Annual Report and Accounts, call Joanna Roach in our Corporate Affairs Department on 071-321 0110.

Inchcape

THE INTERNATIONAL SERVICES AND MARKETING GROUP

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EC pushes farm spending plans to budgetary limit

By David Gardner in Brussels

THE European Commission last night pushed its proposed farm budget for this year up to the absolute ceiling allowed by the "guideline" governing agricultural spending.
At the same time Brussels

threatened to take this year's price package to EC finance ministers if the agriculture ministers meeting here could not agree to its modified pro-

Commission officials said spending would be raised mar-ginally to accommodate small changes and use up the full farm budget allowance of just over Ecu32.5bn (\$38.8bn). An extra Ecu60m this year - less than half a day o opending under the Common Agricul-tural Policy (CAP) — and Ecu200m next yoar will be added to planned spending. Mr Ray MacSharry, EC agriculture commissioner, said "he new compromise . . . will include slight modifications on cereals, beef and milk, but no changes in the substance" of the commission's proposals. He stressed that "the commission has gons as far as it can" while still staying within EC

The guidelines were set by a European council of heads of

government in February 1988, and oblige the commission to make sure they are observed. Ten countries led by France want this year's limit raised to take account of higher than expected spending on east German farms following German reunification.

The new compromise such it proves to be - was still being finalised last night prior to ministers embarking on an all-night meeting to pick tbrough its infinitesimal changes. It was hammered out early yesterday morning after the council rejected an earlier attempt to synthesise its positions after three months of

The commission has already softened its proposed price support and production cuts, and agreed to a scheme whereby cuts in the milk quota will be partly restored and paid for in the 1993-97 budgets. Officials said the main

remaining contentious area was beef, source of the CAP's biggest cost overrun and big-gest intervention stockpile. Here also the commission has modified its position. It intends to abolish the "safety

This supposedly emergency

forecast

By David Blackwell

WORLD STOCKS of coarse grains are expected to fall to 116m tonnes by the end of 1991-92 - the lowest level for seven years and less than half tha stocks at the end of 1986-87, according to the Inter-national Wheat Council in its first forecast.

Production, at 830m tonnes, is forecast to fall below con-sumption for the fifth year in ssion, says the IWC in its monthly grain market report. That level would represent a rise of about 7m tonnes over

While larger crops are expected in the US, the RC and eastern Europe, "significant declines could occur in China and the USSR". The position in Africa appears better than a year ago, and South African production is sxpected to mprove after least season'o

Consumption is estimated at 834m tonnso, almost unchanged from the current season. This figure will depend on whether the Soviet Union succeeds in getting finance to cover the cost of imports.

Demand in Far East Asia, where meat consumption is rising quickly, should continue to increase, says the report. US demand for maize for cattle feed is expected to return to normal levels. return to normal leve

The IWC has raised its ear-lier forecast for wheat in 1991-92 by 10m tonnes to 565m tonnes. This would be second only to the 1990-91 record of

597m tonne The volume of world wheat trade is expected to recover to 97m tonnes, assuming that the Soviet Union will get more credit from exporting countries and that Iraq will resume imports at the same level es before the Gulf war.

British cobalt imports up in first quarter

UK during the first quarter of

Other notable rises were Norway at 50 tonnes from 22 tonnes and the Soviet Union

buffer stock manager's buying procedure, delegates agreed at the close of its council session in Kuala Lumpur. Undar the agreement the manager is to enter the market whenever Inro's indicator IMPORTS of cobalt into the prices stay below its lower

1991 were just abova 856 tonnes, compared with nearly 879 tonnes during the same period of 1990, official figures show, Reuter reports.

compared with 300 tonnes in first quarter 1990. Sharply higher imports from the European Community

prices have often fallen below the "may buy" level in the past year without prompting any intervention by the manage The new procedure has been introduced at the behest of proernment's stand on a \$110m at 92 tonnes from just 1.5 ducers, particularly Malaysia immediately call up a budget tonnes in the 1990 first quarant and Thailand, who argued that to buy 400,000 tonnes, and

Close

Copper, Grade A (£ per tonne)

Cesh 1286-90 3 months 1318-9

Cash 1284-5 3 months 1296-7

Leed (£ per tonne)

Cash 315-9 0 months 330-1

minium, 98.7% purity (\$ per tonne)

WORLD COMMODITIES PRICES 1

1295-7 1327-8

Coarse grain Survival is the key to prosperity stocks fall

John Barham explains moves to restrict Falkland squid catches

SQUID CATCH

The Falkland Islands might have one of the world's richest and most strictly-controlled fishing zones, but the threat to fish stocks and prosperity is as real as ever.

Loligo

cent in 1988-9.

Source: Falkland Jalands Flaheries Directors

1977. Within five years annual

catches exceeded 200,000 tonnes. The Falklands estab-

lished their first fishing con-trols in 1986 and now claim to

have the best managed fishery

The Falklands has cut fish-

ing both by restricting licence

sales and by raising prices. Squid prices have also fallen

in a giutted market. In 1990 the lilex catch halved to 102,601

tonnes and the Loligo catch fell by a third to 82,898 tonnes.

The squid are migratory

eatures that move southward

from feeding grounds in inter-national waters into the Falk-

lands' 150 mile Interim Conser-

vation and Management Zone

(FICZ). In 1988-9 30 per cent of the squid escaped capture inside the FICZ. Only 10 per

cent survived in the high seas. This year, therefore, the focus of conservation has

shifted to international waters. In agreement with Argentina a

50-mile outer band has been

As always the lilex and Loligo squid, the most prized species in the South Atlantic are most at risk from overfishing. The menace to the islands' ances is also considerable. Fishing licence sales are the islands' largest source of income, worth £23.7m, or 63 per cent of government operating

revenue, this year.
That is why the Falklands is trying to restrict squid capture to 60 per cent of the stock and allow 40 per cent to escape, reproduce and perpetuate the resource. Since squid live for only one year, overfishing could rapidly destroy the

entire stock.

Well over half the licences are issued for "jiggers", vessels equipped with powerful lights that operate at night. The squid, attracted by the lights, are caught on lines operated by alactonically-controlled winches that work in continu-ous motion, literally figging the squid on board, where they are processed and frozen. A typical jigger will have 90 arms and catch up to 80 tonnes of squid a night.

The largest sould markets are in Southern Europe and Asia, so Japanese, Taiwanese, South Korean and Spanisb fleets have the largest presence

in Falklands waters.
The first squid fleets proba-bly arrived off the Falklands in

THE International Natural

Rubber Organisation is to step np its intsrvention in the world market by altering the

The move is intended to.

resuscitate the market, which

has been in a slump for nearly

two years. In that time the manager has intervened only

once, bnying about 30,000

Inro's five-day indicator

price stabilisation should over-

1325/1310

added to the FICZ. No fishing is allowed in the new zone. The Falklands patrols the eastern half of the zone and Argentina the western half, which is part

of its 200-mile territorial

53,930 118,683

102,601

Nonetheless, Mr John Bar-ton, director of the Fisheries British officials said that in technical talks with Argentina this week the two sides agreed to increase the flow of data, Directorate, recognises that too few squid are escaping. He hopes to raise the escape rate to between 20 per cent and 30 discussed carrying out joint research and made a commitper cent this season, from between 10 per cent and 30 ment to make policing "more tween 10 per cent and 30 per effective

The Falklands aiready makes licenceec promise to restrict operations in interna-tional waters. Although the scheme is highly successful officials remain deeply con-cerned that overfishing in international waters might yet wreak havoc on the Iller.

The Taiwanese in particular are notorious for violating every control given the chance. Taiwanese ships receive only monthly licenses and officials say they might be banned from Falkland waters next year unless their bahaviour

Although Mr Barton says poachers are noticed within an hour, staff say their two air-craft and two slow-moving patrol ships are insufficient to control the waters adequately.

A pilot said: "The peachers always stay on the sage of the zone so they can escape whenever they say us coming." That does mean the patrols do scare

off introders.

The impact of the £200meyear fishing industry in the Falklands is uneven A small number of businessmen are the few direct beneficiaries of the boom, athough the industry provides some sessonal jobs for manual labourers and licence revenues are financing infra-

structure projects.

The Falkiands is unable to provide a satisfactory base for fishing because the islands themselves are supplied from Britsin. Officials fear excessive government support for local businesses, such as the earlier encouragement for locals to

encouragement for locals to operate as licence brokers, could encourage corruption.

Mr Mike Summers, head of the Falkland Islands Development Corporation (FIDC), and:

"The fact is that locals do not have the money to buy into the fishing industry. But we are giving [foreign companies] the signal to get involved on a genuine basis with local companies. We need to build up a local body of knowledge."

The FIDC is also trying to find a way into the highly protected squid market. Mr Summers said: "There is no access to the lilex markets in Japan or South Korea. Wa are trying to establish where the money

to establish where the money lies, whether it's in services or fishing, which is what goes on here, or whether it is processing or even marketing, most of which is in Asia."

Fungal threat to Bahia cocoa

By Victoria Griffith in Sao Paole

BAHIA's cocoa crop could be wiped out within five years by the fungal disease known as "witch's broom" if steps are not taken soon to control it. That is the prediction of Mr Paulo Fernando Nunes da Cruz, regional superintendent of Ceplac, the government research centre for cocoa, and Mr Ronaldo Monpeiro Carvalho, president of the cocoa

growers' union. Witch's broom fungus arrived in the region several years ago from the Amazon. It was not until 1989, however that the first case was reported

to Ceplac. Mr Nunes said: "Farmers here were afraid that if they acknowledged the dis-ease the agricultural ministry would go in and burn down all their trees. That fear kept us from nipping the disease in the

Ceplac has adopted a surgi-cal approach to the disease. Infected sections of the trees are cut off and burned.

So far the fungus has affected 900 out of 39,000 farms in the region. The trouble is ease can spread very quickly and there is no known cure.

Witch's Broom is not the only fungus plaguing Bahian cocoa farmers. Another disease, known as "black pod" poses an even more immediate

device has committed the EC to buying in limitless quanti-ties of surplus beef as prices

have fallen - and continued to

fall because of the overhang on

The trigger price for ordi-

nary intervention was also to

cent. The earlier compromise suggested instead that the

commission be given greater

powers to manage the buying

In an angry ontburst on Wednesday night Mr Mac-

Sharry warned the farm minis-ters that if they could not make up their minds "others

will take the decision for you"

Officials made clear this was a threat to take the price pack-

age to EC finance ministers.

even though a finance council in April failed to resolve the guideline issue.

Mr John Gummer, the UK agriculture minister, who has

supported the commission's

spending line with the backing of the Netherlands, recognised that this threat "is always a

But he said that "this would

mean that agriculture minis-ters have failed in their first

responsibility, which is to keep their own house in order".

possibility

have been lowered by 8 per

the beef market.

Bahian cocoa farmers have been living with black pod for some time. In the past the dis-ease was easily controlled with chemical pesticide. With the collapse in international cocoa prices in the last few years, however, cocoa farmers have been unable to afford the pesticide. Unprotected, thousands of cocoa trees have succumbed to the fungus.

Brazil appoints coffee policy director

By Victoria Griffith in Sao Paolo

THE BRAZILIAN Ministry of ' Economics has announced the appointment of Mr Celsius Lodicy in the first step to articulat-ing the country's position regarding an international cop

Mr Lodder replaces Mr Ricardo Mesquita as head of the department of supply and

With the exit of Mr Mesquita and Ms Zelia Cardoso de Mello, two weeks ago, the govern-ment lost two apparent cham-this year."

pions of an international coffee agreement. Many in the coffee sector believe Mr Marcilio Marques Moreira, the new economics minister, will play the most important role in formulating Brazil's position on an international agreement. He is well known for his conciliatory approach to debt negotiations.

Mr Orlando Correa, president of the coffee trade centre in Rio de Janeiro, said: "Changes in the economics zil will sign a coffee accord,

It is possible no progress will be made until the international coffee talks scheduled for September. "I don't think we will know the government position until then," said Mr Correa. A Rio-based trader said: "The only thing we know is that the situation cannot be much worse than it is now. Coffee is a neglected sector in

The sector is also waiting anxiously to hear the new govproducers.

COCOA - London FOX

Close Previous High/Low

The latest import figures show Zambia and Zafre remain the main suppliers of the metal at nearly 375 tonnes

bling in imports from Belgium to around 121 tonnes.

ter.

By Lim Slong Hoon, in Kuala Lumpur Malaysian rubber stocks at the end of March were tonnes in the same period 193,000 tomes, up 8 per cent from 182,000 tonnes in December but 11 per cent

Rubber intervention procedure revised

down from 217,000 tonnes a nonth earlier. Production in the first quarter rose 8 per cent to 334,000 tonnes from 313,000

intervention, or "may buy", level of 176 Malaysia/Singapore ride cost considerations. cents for more than seven days. The "must buy" level is 166 cents. "Inro is not here to make money," said one delegate, Getting the agreement

emed crucial to producers, not only because of the low prices, but also because the Association of Natural Rubber Producing Countries (ANRPC) is scheduled to meet early next month in Papua New Guinea to discuss the present state of

Last month Thailand said ft would pull out of Inro if it, or the ANRPC, did nothing to get rubber out of the doldrums. To support prices Inro can

the market.

last year. The start of crop wintering in March brought output down to 87,000 tonnes from 108,000 tonnes

Forecast output is 1.4m tonnes for 1991, averaging 117.000 tonnes a month from 108,000 tonnes last year.

for a further 150,000 tomes. Another issue remains to be dealt with - the daily market indicator price. A report com-missioned from Landel Mills Commodities proposed changes to the basis by which the DMIP is calculated

> would have far-reaching conquences on the buffer stock operations. Three elements are used to determine the DMIP: the types of rubber grades traded, the

The proposal, if passed,

weighting of each grade, and the four markets to which they are sold. The DMIP is thought to be distorted in at least two ways. in trading volume, is given a smaller weighting than Inter-national RSS One and Three, the other grades in use mainly by Malaysia and Indonesia. Second, the Japanese market is omitted although it forms a substantial portion of total

trade, Thailand, where output has grown from 1m tonnes in 1988 to 1.2m tonnes last year, trades a large portion of its rubber in TSR 20 through the Japanese

The proposal before inro is to after the methodology in the calculations to reflect the mar-ket's preferences. But several hurdles need to be overcome including changes to Inro's constitution and other grades of rubber which have found their way into the market. A third issue raised during the Inro talks related to the transfer of inro's warehousing

from consumer countries to the point of production in south east Asia. Approval was granted instead to the conin Thalland and the Soviet by special deliberation funds First, TSR 20, which has risen Union.

MARKET REPORT

Robusta coffee prices continued this week's downward plunge yesterday in London. The market equalled the second position low of £515 set in February before closing at £519 a tonne, a fall of £11 on the day. Light roaster buying interest continued to be evident, but was insufficiant to halt the decline. Business was quieter than on Wednesday, but turnover still totalled an active 5,520 lots. Naw York arabicas were easiar at midday. Some New York analysts attributed coffea's recent slide to talk that French trade house Sucres et Denrees would have to liquidate much of its coffee position. On the LME three-month aluminium closed below the

London Markets

Crade oil (per barrel FOB)		+ 07 -
Dubel Srent Blend (dated) Srent Blend (Jul) W.T.I. (1 pm est)	015.90-6.00u 816.70-6.80 \$19.20-8.30 \$20.90-1.00u	+0.15
Oil products (NWE prompt delivery per t	onne CIF)	+ 07 -
Premium Gasoline Gas Oil Heavy Fuel Oil	\$245-247 \$184-185 \$89-71	+1
Naphtha Petroleum Argus Estimales	\$209-211	+112
Other		+ 07 -
Gold (per troy oz)	\$355.65 406.6c	-0.75 +3.0
Platinum (per troy oz)	\$369.55	-3.45
Palladium (per troy oz)	\$99.78	-1,25
Aluminium (free market) Copper (US Producer)	\$1290 104c	-10
Lead (US Producer) Nickel (free market)	33e 378e	
Tin (Kuala Lumpur market)		+1 -0.18
Tin (New York) Zinc (US Prime Western)	296c 62c	+1
Cattle (live weight)†	113.47p	+0.19
Sheep (dead weight)† Pigs (live weight)†	161.91p 88.91p	-30.88 -8 .96°
London daily sugar (raw)		-0.5
London dally sugar (white) Tate and Lyfe export price	\$290.0q £223.5	-0.5 +0.5
Barley (English feed) Walze (US No. 5 yellow)	£108v £180.0	+0.5
Wheat (US Dark Northern)	\$100	
Rubber (Jun)♥ Rubber (Jul)♥		-0.25
Rubber (KL RSS No 1 Jun)	226.5m	-0.25
Coconut oil (Philippines)6	\$397.5v	
Paim OH (Malayalan)§	\$317.5	-6.0
Copra (Philippines)§ Soyabeans (US)	\$227.5x £180.5	+2.0
		-0.70
C a tonne unless otherwise	stated. p-per	ice/kg.
c-cents/lb. r-ringgit/kg. q-	Jun/Jul t-Ju	า บ-ปัช

\$1,320-a-tonne support level, which could trigger further selling today. News that Brazil's Albras emelter will be back to full production in June, after rebuilding output levels since a plant may have helped the early easing. The smalter has lost more than 30,000 tonnes from 1991 output. Three-month zinc closed below \$1,100 a tonne, which could also signal further losses today. Nickel regained some of this week's losses after fluctuating

			luctuating	Nov
			ers sald recent	Jan
declin	es have	e left the	market	Mar
heavi	ly overs	old. so	soma sort	
			was expected.	Turnov ICO in
		rom Re		May 2
COI	uhina i	TUIL NO	uters _	_ sverag
SUQA	R — Lond	on FOX	(\$ per tonse	POTAT
Raw	Ciose	Previous	High/Low	_
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Oct	171.20	170,00	171,60 166,00 171,60	Арг
Dec	174.40 172.40	171,60 170,60	171.60 170.40	Turnov
May	175.00	173.80	173.00 172.60	
Oct	181.20		177.60	SOYAL
White	Cicee	Previous	High/Low	
Aug	286.5	278.9	265.0 276.4	Aug
Oct	254.0	248.8 242.8	258.0 249.0 245.9 241.8	Oct
Dec Mar	247.0 248.8	244.3	248.0 248.8	Dec
May	252.0		252.0	Turnov
Aug	257.0		256.0	PREDO
Oct	251.0		251.0 242.5	
Turnov	er: Rew 2	B1 (458) ka	ts of 50 tonnes.	
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-				_ Jun
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Aug Sep Oct Nov Dec IPE Ind Turnow GAS O Jun Jul Aug Sep Oct Nov Dec	19.22 19.45 19.45 19.75 19.76 19.72 19.72 19.72 17.75 177.75 177.75 183.00 184.78	19.13 18.40 19.66 19.76 19.95 19.95 19.43 7476) Previous 178.26 178.50 178.75 178.50 181.76 183.00	19.37 19.10 19.58 19.40 19.70 19.57 19.80 19.73 19.85 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 174.75 176.00 174.00 176.50 174.75 177.75 178.50 179.50 174.00 182.75 180.75 183.75 182.25	Jen BFI Turnov GRAM Wheel May Jun Sep Nov Jen Mer Berley May
Aug Sep Sep Nov Dec IPE Ind Turnow GAS Of Jun Jul Aug Sep Sep Nov	19.25 19.45 19.61 19.75 19.75 19.78 19.22 ar 11751 (18. — RPE Leccet 180.00 176.75 177.25 179.50 183.00 184.00	19.13 19.40 19.65 19.73 19.95 19.43 179.25 178.25 178.25 178.25 178.75 178.75 183.00 184.00	19.37 19.10 19.56 19.40 19.70 19.57 19.80 19.23 19.85 19.78 19.83 19.78 19.83 19.78 19.83 19.78 190.25 179.00 178.50 174.75 177.75 178.50 179.50 179.00 182.75 182.95 185.00 184.00 183.00 182.00	Jen BFI Turnov ORAM Wheet Wheet Jun Sep Jun Sep Mar Berley Mmy Sep Nov Turnov
Aug Sep Oct Nov Dec IPE Ind Turnow GAS O Jun Jul Aug Sep Oct Nov Jun Feb	19.25 19.45 19.56 19.75 19.75 19.75 19.75 19.22 19.76 10.00 176.75 177.25 183.00 184.00 184.75 182.75 179.25	19.13 18.40 18.65 19.75 19.95 19.95 17.25 178.25	19.37 19.10 19.56 19.40 19.70 19.57 19.80 19.73 19.85 19.78 19.83 19.78 \$\$tonne High/Low 190.25 179.00 178.50 174.75 177.75 178.50 179.60 174.00 182.75 180.75 183.75 182.25 186.00 184.00 179.00 179.00	Jan BFI Turnov ORAM Wheet May Jun Sep Nov Jan Mar Berley Sep Nov
Aug Sep Oct Nov Dec IPE Ind Turnow GAS O Jun Jul Aug Sep Oct Nov Jun Feb	19.25 19.45 19.56 19.75 19.75 19.75 19.75 19.22 19.76 10.00 176.75 177.25 183.00 184.00 184.75 182.75 179.25	19.13 18.40 18.65 19.75 19.95 19.95 17.25 178.25	19.37 19.10 19.56 19.40 19.70 19.57 19.80 19.23 19.85 19.78 19.83 19.78 19.83 19.78 19.83 19.78 190.25 179.00 178.50 174.75 177.75 178.50 179.50 179.00 182.75 182.95 185.00 184.00 183.00 182.00	Jen BFI Turnov ORAM Wheet Wheet Jun Sep Jun Sep Mar Berley Mmy Sep Nov Turnov
Aug Sep Oct Nov Dec IPE Ind Turnow GAS O Jun Jun Jun Feb Turnow Figur	19.25 19.45 19.55 19.75 19.75 19.75 19.75 19.22 19.20 17.75 177.25 183.00 184.75 182.75 179.25 179.25 179.25 179.25	19.13 18.40 19.65 19.75 19.95 19.95 19.43 17475) 178.75	19.37 19.10 19.56 19.40 19.70 19.57 19.80 19.73 19.85 19.78 19.83 19.78 \$Nonne High/Low 180.25 179.00 178.50 174.75 177.75 178.50 179.50 179.00 182.75 180.75 183.75 182.25 185.00 184.00 179.00 179.00 179.00 178.00	Jen BFI Turnov ORAM Wheet Wheet Jun Sep Jun Sep Jun Sep May Sep May Ser Seriey May Seo Nov Turnov
Aug Sep Oct Nov Dec IPE Ind Turnow GAS O Jun Jul Aug Sep Oct Nov Dec Jun Feb Turnow France Fr	19.25 19.45 19.65 19.75 19.75 19.75 19.75 19.75 17.75 17.75 177.25 177.25 177.25 177.25 177.25 183.00 184.75 182.75 179.87 182.75 179.87 182.75 179.87 182.75 179.87 182.75	19.13 18.40 18.66 19.76 19.96 19.96 19.96 178.25 178.25 178.25 178.25 178.25 178.25 183.00 181.60 181.60 181.60 181.60 181.60 181.60	19.37 19.10 19.56 19.40 19.70 19.57 19.80 19.73 19.85 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.75 19.80 179.00 179.00 179.00 183.00 182.00 179.00 178.00	Jen BFI Turnov ORAM Wheet Wheet Jun Sep Jun Sep Jun Sep May Sep May Ser Seriey May Seo Nov Turnov
Aug Sep Oct Nov Dec IPE ind Turnow GAS O Jun Jul Aug Sep Oct Nov Dec Jun Turnow Turnow	19.25 19.45 19.65 19.75 19.25 19.75 19.25 pr 5447 (80 Golden Drash at 45 Golden Drash at	19.13 18.40 19.65 19.75 19.95 19.95 19.43 178.25 178.25 178.25 178.20 178.75 184.00 178.75 184.00 178.75 185.00 185.00 18	19.37 19.10 19.56 19.40 19.70 19.57 19.80 19.47 19.80 19.73 19.85 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.80 174.00 172.50 174.00 178.00 182.00 179.00 178.00 100 tonnes	Jen BFI Turnov Omatii Wheet May Jun Sep Nov Jen Mer Berley May Sep Nov Turnov Turnov
Sep Oct Nov Dec IPE Ind Turnow GAS Of Aug Sep Oct Turnow Turnow Turnow Turnow Turnow Teab	19.25 19.45 19.65 19.75 19.75 19.75 19.75 19.25 19.20 17.75 177.25 183.00 184.00 184.75 182.75 179.25 179.25 179.25 179.25 179.25 184.00 184.76 184.76 184.76 184.76 184.76 184.76 184.76 184.76 184.76 184.76 184.76 184.76	19.13 19.40 19.65 19.95 19.95 19.95 179.25 179.25 178.25 178.25 178.25 178.75 178.75 183.00 184.00 184.00 185.00 178.78 185.00 178.78 185.00 178.78	19.37 19.10 19.56 19.40 19.70 19.57 19.85 19.40 19.70 19.53 19.85 19.78 19.83 19.78 \$\$tonne High/Low 180.25 179.00 178.50 174.75 177.75 178.50 179.50 179.00 182.75 180.75 183.75 182.25 186.00 184.00 179.00 178.00 100 tonnes	Jen BFI Turnov ORAM Wheet May Jun Sep Nov Jen Mar Berley May Sep Nov Turnov Turnov Pigs
Aug Sep Oct Nov Dec IPE Ind Turnow Oct Nov Dec Jun Jul	19.25 19.45 19.45 19.45 19.75 19.77 19.77 19.72 19.72 19.72 19.72 17.75 177.25 177.25 179.20 184.00 184.78 182.75 179.25	19.13 18.40 18.66 19.76 19.76 19.96 179.26 175.26 175.26 176.75 178.75 178.75 178.75 178.75 178.75 178.75 178.75 178.75 178.75 178.75 178.75 178.75 183.00 181.80 178.78 184.00 181.80 178.78 184.00 181.80 178.78 184.00 181.80 184.00 181.80 184.00 1	19.37 19.10 19.56 19.40 19.70 19.57 19.80 19.47 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.83 19.78 19.80 172.00 172.00 172.00 172.00 172.00 170 tonnes 18 uperb value 18 pice from 18 uperb value 18 pice from 18 uperb value	Jen BFI Turnov ORAM Wheet May Jun Sep May Jen Mar Berley May Sep Nov Turnov Turnov Turnov Jun
Aug Sep Oct Nov Dec IPE Ind Turnow Jun Sep Turnow FRUT Cape this w FFVIE New 2 (85-70)	19.25 19.45 19.65 19.75 19.25 19.75 19.25	19.13 18.40 19.65 19.95 19.95 19.95 19.95 178.25 178.25 178.25 178.25 178.25 178.25 178.25 184.00 178.75 184.00 178.75 185.00 185.00 18	19.37 19.10 19.56 19.40 19.70 19.57 19.85 19.40 19.70 19.53 19.85 19.78 19.83 19.78 \$\$tonne High/Low 180.25 179.00 178.50 174.75 177.75 178.50 179.50 179.00 182.75 180.75 183.75 182.25 186.00 184.00 179.00 178.00 100 tonnes	Jen BFI Turnov ORAM Wheet May Jun Sep Nov Jen Mar Berley May Sep Nov Turnov Turnov Pigs

5 175.00 5 178.75 0 178.60 0 181.75 0 183.00 5 184.00 5 181.60	178,50 174,75 177,75 178,50 179,80 179,00 182,75 180,75 183,75 182,25 185,00 184,00
5 176.78	183.00 182.00 179.00 178.00
(8684) lots o	f 100 tonnes
a Delicious en 45-55p a lb (4 16 ate and Gs 1) are elan ple inia strawber ipetral 15-25; po e lb anu ibundent. Oth icluda caulifi gus et £1.20- ioes at 40-80; 85p a lb. Eng ipucmer at l	ower at 40-60p 1.80 a lb and new p a lb, with Jersey lish tometoes at 50-65p each, ach and leeberg at

Turnover: 1738 (9819) lots of 10 tonnes ICCO Indicator prices (SDRs per tonne). Daily price for May 22 788,95 (783,12) 10 day average for May 23 783,42 (788,43) COFFEE - London POX £/tonne 505 486 582 015 557 541 580 564 001 580 010 610 591 812 ver5620 (10539) lots of 0 tornes adicator prices (US cents per pound) 22 : Comp. daily 68.12 (67.06). 15 d go 67.86 (68.14) TOES - Leadon FOX 2/ton Glose Previous High/Low 101.0 101.2 134.0 133.0 133.7 132.5 or 23 (84) lots of 40 tonnes. MEAL - London FOX 130.00 130.50 133.50 134.00 136.50 137.00 ver 45 (106) lots of 20 tonnes. MIT - Landon FOX \$10/index po ver 410 (855) 45 - London POX 111.45 111.30 114.25 114.10 117.65 117,90 117,80 Close Previous High/Low 119.50 122.00 ver: Wheat 275 (321), Barley 0 (11). ver lots of 100 tonnes. London POX (Cash Settlement) p Close Previous High/Low 120.0 120.6 120.0 117.0 115.0 116.5 113.5 116.0 113.5 Turnover:105 (94) lots of 3,250 kg MOSE - London FOX Close Prev. High

139.01 140.14 140.10 141.90 140.10 139.70 140.20 142.00 140.40 140.20

o montas	U100-73	8075	85	8175/8
Tin (\$ per to	nne)			
Cash !	670-80	5625-	35	7.00
	5765-80	5710-		6760/5
	i High Grade	(2 bet		
Cash 1 months 1	1082-4 1097-8	1085- 1101-	7	1083/1 1181/1
LME Clouby				
SPOT: 1.736		0 mon	the; 1,7	125
(Prices supp			NT4S	
Gold (fine or			equiv	allerik.
Close Opening	355.30-355 354.70-355			
Morning flx	355.00	2	06.910	
Afternoon fo	354.90		05.858	
Day's high Day's low	365,40-355 354,40-354	.80		
Loco Ldn M	een Gold Le		lates C	Vs UBS)
1 month	5.29			
2 months	5.24	0 mon	nths oths	8.10 8.11
0 months	5.21			
Silver Six	p/fine cz		IS cts	eguly
Spot	234.60		03.75	
0 months	241.20	- 4	09.65	
0 months 12 months	247.50 259.75		15.80	
OOLD COM	8			
(Prices supp	ded by Eng			
(Prices supp	S price		fetnis) 2 e quh	
Krugerrand	\$ price 355,00-36	6.90	206.00-	raient 206.50
Krugerrand Maple leaf	\$ price 355,00-80 364,00-30	6.90 5.00	206.00- 211.50-	raient 206.50 212.00
Krugerrand Maple leef New Soverei	\$ price 355,00-36 364,00-36 gn 65,00-66	6.90 5.00	206.00-	raient 206.50 212.00
Krugerrand Maple leaf Yow Soverei	\$ price 355,00-36 364,00-36 gn 65,00-66	6.90 5.00	206.00- 211.50-	raient 206.50 212.00
Krugerrand Maple leef New Soverei	\$ price 355.00-36 364.00-36 gn 66.00-66	6.90 5.00	E equit 206.00- 211.50- 49.50-5	raient 206.50 212.00
Krugerrand Maple leaf New Soverel TRADED OF Alternations (1	\$ price 355.00-36 364.00-36 gn 85.00-86 TROMS	56.90 15.00 00	206.00- 206.00- 211.50- 49.50-5	206.50 212.00 0.00
Krugerrand Maple leaf New Soverei TRADED OF Alterninium (i Strike price	\$ price 355.00-36 364.00-36 ign 85.00-66 **********************************	56.90 55.00 00 Calts	206.00- 206.00- 211.50- 49.50-6	Puts.
Krugerrand Maple leaf New Soverel TRADED OF Aluminium (i Strike price :	\$ price 355.00-36 364.00-36 gn 85.00-86 TROMS	56.90 15.00 00	£ equit 205.00- 211.50- 49.50-6	206.50 212.00 0.00 Puts Jul
Krugerrand Maple leaf New Soverel TRADED OF Aluminium (i Strike price :	\$ price 355.00-31 364.00-36 365.00-66 PTIONS 19.7%) (\$ tonne Jun 110	56.90 55.00 00 Calts Jul 138	206.00- 206.00- 211.50- 49.50-6	Puts.
Krugerrand Maple leaf New Soverei TRADED OF Aluminium (i Strike price : 1200 1300 1400	\$ price 355.00-36 394.00-36 98.00-65, **TIONS 19.7%) (1 5 tonne Jun 110 57 8	96.90 95.00 00 Calls Jul 136 67	E equit 208.00- 211.50- 19.50-6 Jun 0 29	Puts Jul 11 40 97
Krugemand Maple leaf New Soverel TRADED OF Aluminium (i Strike price : 1200 1300 1400 . Copper (Gras	\$ price 355.00-36 364.00-36 364.00-68 FTROMS 19.7%) (\$ tonne Jun 110 87 8	56.90 55.00 00 Calls Jul 138 67 26	E equit 206.00- 21 1.50- 10.50-5 Jun 0 29 97	valent 206.50 212.00 0.00 Puts Jul 11 40 97
Krugerrand Maple leef New Soverel TRADIED OF Aluminium (f Strike price : 1200 1400 . Copper (Grass	\$ price 355.00-36 394.00-36 98.00-65, **TIONS 19.7%) (1 5 tonne Jun 110 57 8	56.90 35.00 00 Calts Jul 136 67 26 Calts	E equit 205.00- 21 1.50- 49.50-6 Jun 0 29 97	valent 306.50 212.00 0.00 Puts Jul 11 40 97 Puts 58
Krugerrand Maple leaf New Soverel TRADIED OF Aluminium (t Strike price : 1200 1300 1400 . Capper (Gran 2250	\$ price 355.00-36 364.00-36 364.00-36 369 85.00-66. TROMS 10.7%) (\$ tonne Jun 110 87 8 de A) (108	56.90 55.00 00 Calls Jul 138 67 26	E equit 206.00- 21 1.50- 10.50-5 Jun 0 29 97	Puts Jul 11 40 97 Puts 68 104
Krugerrand Maple leef New Soverel TRADIED OF Aluminium (i Strike price : 1200 1400 . Copper (Gran 2150 2250 2350	\$ price 355.00-36 364.00-36 364.00-36 369 85.00-66. TROMS 10.7%) (\$ tonne Jun 110 87 8 de A) (108 50 10	56.90 155.00 00 Calls Jul 138 67 28 Calls 121 71 38	E equit 208.00- 211.50- 49.50-8 Jun 0 29 97	Puts 58 58 59 79 70 70 70 70 70 70 70 70 7
Krugerrand Maple led New Soverel TRADIED OF Aluminium (f Strike price : 1200 1400 . Copper (Gran 2150 2250 2350 Coffee	\$ price 355.00-36 364.00-36 364.00-36 369 85.00-66. TROMS 10.7%) (\$ tonne Jun 110 87 6 de A) (108 50 10	56.90 15.00 00 Calls Jul 138 67 28 Calls 121 71 38 8ep	E equit 205.00- 21 1.50- 49.50-6 Jun 0 29 97	Puts Jul 11 40 97 Puts 68 104
Krugerrand Maple leaf Now Soverel TRADED OF Aluminium (i Strike price 1200 1300 1400 Copper (Gran 2250 2250 2350 Coffee	\$ price 355.00-36 364.00-36 364.00-36 39.45.00-65 19.7%) (3 tonne Jun 110 57 8 de A) (108 50 10	56.90 35.00 00 Calts Jul 138 67 28 Calts 121 71 38 Sep 92	206.00-211.50-49.50-8 Jun 0 29 97 21 81 128	Puts Jul 11 40 97 Puts 56 104 169 Sep
Krugerrand Maple leaf New Soverei TRADIED OF Altuminium (i Strike price : 1300 1400 . Copper (Gran 2250 2250 2250 2250 250 660 660 670	\$ price 355.00-36 364.00-36 364.00-36 39.7%) (3 5 bonne Jun 110 57 8 6 108 90 10 108 90 10 108	56.90 55.00 00 Calls Jul 138 67 26 Calls 121 71 38 8ep	E equil- 206.00- 206.00- 211.50- 49.50-6 Jun 0 29 97 21 81 128	Puts Jul 11 40 97 Puts 58 104 169 Sep
Krugerrand Maple leaf New Soverei TRADED Os Aluminium (i Strike price : 1200 1400 . Copper (Gras 2150 2250 2250 2250 Coffee 460 600 650	\$ price 355.00-36 364.00-36 364.00-36 36 5.00-65 36.7%) (3 5 tonne Jun 110 57 8 109 50 10 Jul 67 25 5	56.90 35.00 Collis Jul 138 67 26 Calls 121 71 38	E equil- 208.00- 211.50- 11.50- 129- 97- 21- 81- 128- Jul- 0- 33-	Puts 58 104 169 Sep 1 0 29 29
Krugerrand Maple leaf New Soverei TRADIED OF Aluminium (i Strike price : 1300 1400 . Copper (Gran 2150 2250 2250 Cottee 450 550 Coccen	\$ price 355.00-36 364.00-36 364.00-36 39.7%) (3 5 bonne Jun 110 57 8 6 108 90 10 108 50 10 108 50 10 108	56.90 55.00 00 Calls Jul 138 67 26 Calls 121 71 38 8ep	E equil- 206.00- 206.00- 211.50- 49.50-6 Jun 0 29 97 21 81 128	Puts Jul 11 40 97 Puts 58 104 169 Sep
Krugerrand Maple leef New Soverei TRADED OF Alternition (i Strike price : 1200 1400 . Copper (Grad 2150 2250 2250 2550 Cotiee 460 550 Coccee	\$ price \$55,00-36 364,00-36 364,00-36 36,00-66, THORS 10,7%) (1 \$ tonne Jun 110 \$7 6 de A) (1 108 50 10 Jul 87 25 5 Jul 50	56.90 155.00 000 Calls: Jul 136 67 71 38 8ep 92 49 20 Sep 81	205.00-211.50-211.50-30-30-30-30-30-30-30-30-30-30-30-30-30	Puts Jul 11 40 97 Puts 58 104 169 1 29 Sep 4
Krugerrand Maple leaf New Soverei TRADED OF Alterniteites (1 1300 1400 1400 Copper (Gras 2150 2350 Coties 450 500 550 550	\$ price 355.00-36 364.00-34 gn 85.00-66 19.7%) (1 5 tenne Jun 110 87 8 de A) (1 108 50 10 Jul 47 25 5 5 Jul 13	56.90 55.00 55.00 50 Calls 58 67 28 5alls 121 71 58 8ep 20 3ep 81	E equit. 205.00-0211.5	Puts Jul 11 40 97 Puts 58 104 169 Sep 1 0 299 Sep 4 16
Krugerrand Maple leaf Now Sovered TRADED OF Alternatives (1 1200 1300 1400 Copper (Gras 2150 2250 2350 Cotice 460 500 500	\$ price \$55,00-36 364,00-36 364,00-36 36,00-66, THORS 10,7%) (1 \$ tonne Jun 110 \$7 6 de A) (1 108 50 10 Jul 87 25 5 Jul 50	56.90 155.00 000 Calls: Jul 136 67 71 38 8ep 92 49 20 Sep 81	205.00-211.50-211.50-30-30-30-30-30-30-30-30-30-30-30-30-30	Puts Jul 11 40 97 Puts 58 104 169 1 29 Sep 4
Krugerrand Maple leaf Now Sovered TRADED OF Aluminium (i Strike price 1200 1300 1400 Copper (Gras 2150 2250 2250 Cotice 460 500 550 Cocce 550 560	\$ price 355.00-36 364.00-34 gn 85.00-66 19.7%) (1 5 tenne Jun 110 87 8 de A) (1 108 50 10 Jul 47 25 5 5 Jul 13	56.90 55.00 55.00 500 500 500 500 500 500 50	2 equal 205.00-211.50-211.50-31	Puts 58 104 169 Sep 1 0 29 Sep 4 16 -41
Krugerrand Maple leaf New Soverei TRADED OF Aluminium (i Strike price : 1200 1400 . Copper (Gra: 2150 2250 2250 2350 Cottee 450 550 Cucce 550 600 600 850	\$ price \$55,00-36 364,00-36 364,00-36 36,7%) (5 \$10,7%) (7 \$7 \$7 \$1 \$100 \$7 \$1 \$100 \$7 \$1 \$100 \$7 \$1 \$1 \$100 \$7 \$1 \$1 \$1 \$1 \$1 \$1 \$1 \$1 \$1 \$1	56.90 55.00 55.00 50 Calls 58 67 28 5alls 121 71 58 8ep 20 3ep 81	E equit. 205.00-0211.5	Puts Jul 11 40 97 Puts 58 104 169 Sep 1 0 299 Sep 4 16
Krugerrand Maple leaf New Soverei TRADED OF Aluminium (i Strike price : 1200 1400 . Copper (Grad 2150 2250 2250 Coffee 460 600 650 600 650 650 650	\$ price \$55,00-36 364,00-36 364,00-36 36,7%) (5 \$10,7%) (7 \$7 \$7 \$1 \$100 \$7 \$1 \$100 \$7 \$1 \$100 \$7 \$1 \$1 \$100 \$7 \$1 \$1 \$1 \$1 \$1 \$1 \$1 \$1 \$1 \$1	56.90 55.00 55.00 500 500 500 500 500 500 50	2 equal 205.00-211.50-211.50-31	Puts 58 104 169 Sep 1 0 29 Sep 4 16 -41

26.0		31-1.5	325.5-7	7.0 1	4,082 lobs	. 4	,	
				-	ver 5,710 lots	HEAT	MG OIL	42
		3070-80					Letest	
807	5 8	H14-5	0110-2		2,022 lots	Jun	5610	_
			Total d	ally turno	ver 1,876 lots	Jul Aug	5650 5710	
672	0 5	675-80 780-6	5145-5	5 6	832 lots	Sep	5045	
-					ver 5,203 lots	Oct	5945 6080	
108	3 1	063-3.5				Dec	8120	
109	5 1	098-8.5	1096-7	2	5,625 lots	Jen Feb	6135	
	0	months: 1	4040		onthe: 1.6808	Mer	5835	
					-01-0-01	COCO	A 10 Ion	ш
_							Close	
	N	PW.	ork/			Jul	978	Ť
_						Sep Dec Mar	1006	
_						Mer	1051 1092	
	GOL	D 100 troy	oz.; \$/troy	œ		May	1117	
		Close	Previous			Jul Sep	1146	
	May	356.2	366.3	0	0		E C 3	7 1
	Jun	355.5	356.8	365.3	354.8		Cione	•
_	Jul	366.6 358.1	358.1 359.4	359.0	0 357.8	Jul	86.50	_
0	Oct	361,2	362.6	362.2	360.8		86.80	
1	Dec Feb	364.3 367.7	365.7 368.1	365.0	363.8 367.8	Sep Dec	92.05	
_	Apr	370.8	372.2	368.3 371.3	371.8	Mar May	94.90	
_	Ján	374.4	375.6	0	0	Jul	98.00	
						Sep	100.60	
						SUGA	WORL	<u>.</u>
	PLAT		roy oz; \$/tr				Cicee	
_		Olose	Previous	High/Lo		Jul Oct	7.99 7.72	
_	Jul Oct	391,2 395,6	392.1	400.0	389.0	Mar	7.79	
_	Jen	399.8	400.7	400.0	394.0 399.0	May	7.90 8.01	
	Apr Jul	403,8 407,8	404.7 408.7	403.8 0	403.8	Oct	8.17	
	Ju	-07.0	400.7	•	·	COTTO	N 60,000	DE O
_							Clase	Ť
_	SLVE	R 5,000 to	cy cz; cent	/troy oz.		Jul .	89.88	_
_		Close	Previous	High/Lo	<u> </u>	Oct	79.18	
	May	403.9	403.2	403.0	402.0	Dec	73.53 74.45	
_	Jun	404.2 406.3	403.2	0	0	May	74.92	
	Jed Sep	406.3 411.2	405.8 410.7	408.0 411.5	408.5 408.5	Jul	75.00	. '
-	Dec Jen	418.1	417.6	418.5	415.5	ORANG	E JUICE	E 1
_	Jen Mar	420.1 425.6	419.6 425.1	8 424.5	0 424.5		Close	-
	May	430.9	430.4	432.0	432.0	Jul	122.35	
	Ĵü	436,1	435.6	0	0	Sep Nov	120.80	
-	Sep	441.8	441,3	8	8	HOY	119.00	
_								
		 	OPPER 25,0	MO (be- ee				
	- COLIN					DEDIC	23	
-		Close	Previous	High/Lo		REUTE	RS (Bar	Le:
-	May Jun	100.90 100.40	100.30 99.85	101.50 100.60	100.30 98.70		May 2	
	Juli Juli	99.20	96.55	0	96.35		1726.0	
	Aug	98.70	95.15	0	0	-		
-	Sep Oct	98.20 97.85	97.75 97.46	98.80 0	97.75 0	004.1	ONES (_
-	Nov	97.55	97.18	ā	8		May 2	2
	Dec	97.20	96.85	97.80	97.20	Spot	129.17	
	Jan Feb	96.85 96.65	96.65 96.25	0	0	Future	125.10	

/Del	nee europita	d by Amel	nameted I	Intel Toutlant	-				<u> </u>					
(PIX	AM Officia			Metal Treding)	CAU		ght) 42,000	US galls	\$/berrel	_ CH	icag	Ю		
111	AND UNCO			Open Interest	_	Latest	Previous	High/Lo	W					
	4000	local cr	my mrnov	rer 22,745 lots	Jul	20,99	20.83	21.06	20.90	·				
10	1286-7 1317-8	1317-6	8	12,090 lots	Aug	20.98 21.08	20.91	21.12 21,20	20.93	BOYA	BEANS 5	000 by mirc	cents/900)	bushel
				rer 23,589 lots	Oct	21.15	21.14	21.20	21.10		Close	Previous	High/Lor	w
85	1295-0				Nov	21.24	21.22	21.36	21.24	Jed.	582/0	579/4	512/4	670/D
93	1309-10	1294-5	, 1	17,777 lots	Dec Jen	21.25	21.30 21.24	21.42 21.36	21.30	Aug	600/6	883/4	567/0	582/4
		Total o	ielly turno	over 1,908 lots	Feb	21.25	21.19	21,26	21.25	Sep	686/2	584/6 .	500/4	654/2
	018.5-9.0				Mar	21.15	21.10	21,20	21,10	Nov Jun	507/2	603/6	597/4 608/0	592/2 603/4
.5	331-1.5	326.5-	7.0 1	4,082 lots	Apr	21.17	21.12	21,18	21.15	Mar	619/0	514/4	819/0	0146
		Total o	tally turno	ver 5,710 lots	HEAT	ING OL. 4	2,000 US 9	elle, centr	/US gells	May	62714	922/0	62714	622/4
	8070-80					Latest	Previous	High/Le	***		633/2	630/0	633/4	628/4
75	8114-5	0110-8		2,022 lots	Jun	5610	5603	5650	5600	- 5012		. 60,000 lbs;	CHANNE	
		TOTAL	BELLA STATES	over 1,876 lots	Jul Aug	5650 5710	5649	5710	5635		Clowe	Previoue	High/Los	~
20	5675-80 5780-6	5145-5		.832 lots	Sep	5045	67 19 5859	5770 5900	5790 5840	Jul	20.43	20.16	20,44	20.13
	0.000			wer 5,303 lots	Oct	5945	5868	0000	5936	Aug	20.59	20.55	20.51	20.53
	1083-3.5	1000	му ципо	Mer 0,000 1000	Nov Dec	6030 8120	6061	6095	6030	Oct	20.90	20.70	20.95	20.53
93 95	1098-8.5	1096-7	2	8,825 lots	Jan	6135	0142 8160	6190 6200	6115	Dec	21,26	21.02	21.27	21.02
_				-	Feb	6050	6066	8100	8040	Jan Mer	21.40	21.76	21,40	21.26
- (0 months: 1	1.0949	0 m	months: 1.6808	Mer	5835	5850	5885	5820	_ May	21.72 22.02	21.46	21.72	. 21.00 21.93
					COC	DA 10 long	es;\$/tonne					AL 100 tons;		
			٠.			Clove	Previous	High/Lo	m/					<u></u>
N	ew.	York			Jul	978	978	968	974		Ciose	Previous	High/Lov	<u> </u>
					Sep	1006	1006	1013	1001	Jul	174.3	173.8	174.7	172.6
					Dec	1051	1048	1054	1045	Aug Sep	176.3 178.7	174,8 178.1	175.3 176.7	174.1
=	E D 400				May	1092 1117	1068 1119	1095 1120	1086 1720	Oct	177.0	177.4	177.8	175.5 176.5
9		y oz.; \$/troy			Jul	1146	1147	0	0	Dec	180.2	179.4	180.3	179.0
_	Ciose	Previou	# High/L	OW	Sep	1173	1174	0	0	Jen Mer	181.0	180.2 1181.5	101.0 782.0	179.7
Ma		365.3	0	0	COFF	EE *C* 37	,5000bs; cu	nts/lbs		May	182.5	181.0	183.3	180.7 162.0
Ju Jul		356.8 368.1	366.3	354.8		Close	Previous	High/Lo	w	MAC	5.000 bu	min; cente/	Pills in sals	
Au	g 358.1	350.4	359.0	357.8	Jul	86.50	86.86	87.45	86.10	- ==	Clove	Previous		
Oc		362.6	362.2	360.8	Зер	86.80	89.05	89.50	88.30				High/Lov	
De Fel		365.7 368.1	365.0 368.3	363.8 367.8	Dec	94.90	92.15	92.75	91.60	May Jul	251/0 251/0	259/4	261/0 . 251/2	259°C
Ap		372.2	371.3	371,8	May	96.50	95.10 97.10	95.65 97.60	94,78 96,50	Sep	250/2	248/4	250/2	248/2
Ján	374.4	375.6	0	0	Jul	98.00	99.25	0	0	Dec	249/6	247/6	200/0	24074
					Sep	100.80	100.93	181.50	101,50	· Mar _ Jul	257/4 265/8	255/2 254/2	257/4	254/0
_					SUGA	R WORLD	"11" 112,0	CO libe; ce	nts/lbs				205/0	202/4
FLA	TINUM 50	troy oz; \$/tr	oy oz.			Close	Previous	High/Lo				min; centel		
	Olose	Previous	High/Lo	w	Jul	7.99	7.93	8.06	7.91	<u> </u>	Clove	Previous	High/Lov	•
Jul	391,2	302.1	368.3	389.0	Oct	7.72	7.84	7.72	7.60	May	322/4	3340 ·	322/4	321/4
Oct	395.6	396.5	400.0	394.0	Mar May	7,79 7,90	7.89 7.80	7,79	7.87	Jul Se p	296/6	305/0	296/2 306/4	295/4 303/8
Jan		400.7	400.0	399.0	Jul	8.01	7.94	7.86 D	7.60 0	Dec	316/0	318/6	318/2	3124
Apr	403.8 407.8	404.7 408.7	403.6 0	403.8	Oct	8.17	8.06	ō	ŏ	Mar .	325/4	326/0 .	326/0	323/4
			•	•	COTT	ON 50,000;	cents/lbs			LIVE	ATTLE 40	.000 fbe; cen	ta/fibe	
						Clase	Previous	High/Lor			Close	Previous	High/Lov	
SEV	ER 5.000 tr	roy oz; cent	Verov oz		Jul	89.88		_ _		- Jun	75.52	75.22		
_					Oct	79.18	91.60 80.60	90.40	89.86	Aug	73.50	73.22	75.75.	75.25
=	Closes	Previous	High/Lo		Dec	73.53	74.05	79.50 73.90	78.80 72.60	Oct	74.87	74,77	73.72 75.07	73.27 74.70
May	403.9 404.2	403.2	403.0	402.0	Mer	74.45	74.86	74.90	73.60	Dec	75.47	75.40	75.67	75.30
Jun Jul	406.3	403.2 405.8	0 408.0	0 408.5	May	74.92 75.00	75.25	75.00	74.10	Feb Apr	74.92 75.75	74.90 75.56	75.20	74.82
Sep	411.2	410.7	411.5	408.5			75.70	75.30	74.86	Jun	74.35	74.20	75.75 74.35	75.35 74.06
Dec	418.1	417.6	418.5	415.5	CRAR	CE JUICE	15,000 lbs;	cents/lbs		I IVE	OGS 30,0		1-100	- AND
Mar	425.6	479.6	0 424.5	424.5		Close	Previous	High/Lov	, 					<u> </u>
May	430.9	430.4	424.5 432.0	432.0	Jul	122.35	120.80	122.80	120.00		Close	- Previous	High/Los	
Jul	436,1	435.6	0	0	Sep	120.80	120.18	121,50	119.60	Jun	57.62	66.95	57.75	57.45
Sep	441.8	441,3	8	8	Nov	119.00	118.50	119,60	119.00	Jul .	55.80	56.07	55.85	66.16
			٠.							Aug Oct	52.77 47.85	52.22 47.10	62.00	82,40
										Dec	47.50	47.10 47.02	477	47.36
HIGH	H GRADE C	XOPPER 25,	000 lbs; or	ents/ibs	C:					Feb	47.50	47.15	47.50	47.33
_	Close	Previous	High/Lo		DEDK	723				Apr	45.57	45.55	45.75	46,60
_					REUT	ERS (Base	: Septemb	er 15 1931	= 10th	Jun .	49.78	40.75	a .	•
May		700.30	101.50	100.30		May 23				PORK	BELLIES 4	60,00G Sbe; o	inte/fb ·	-
Jun Juf	100,40 99,20	99.85 98.55	100.60	99.70 98.35	I—						Close	Previous	Halflow	
Aug	98.70	95.15	ŏ	0	I —	1726.0	1723.8	1750.8	1920.7	May	60.22			
Sep	98.20	97.75	98.80	97.76	DOM	CHES (B	ase: Dec. 3	1 1974 -	100)	Ju	58.30	59.50 . 58.55	81.25	38.50
Oct	97.85	97.46	0	0	I —	May 22	May 21	moth ac	W #00	Aug	84.72	33.20	68.25 54.95	55,30
Nov Dec		97.18 96.85	8 97,60	8 97,20	Spot	129.17	128.82		<u> </u>	Feb	68.27	55.70	58.95	55.30 55.42
Jan	96.86	96.65	0	0		s 125.10	126.38	125.35 127.60	136.67 133.17	Mer May	56.30 58.60	55.80	68,46	
Feb	96.55	96.25	ō	ō						Jui	58.50	8	35.50	55,46 06.50

LONDON STOCK EXCHANGE

osperity dequided catches Base rate hopes drive equities higher

TH THE tug-of-war between inflation and interest rate pres-sures within the UK came to the boil in the London stock market yesterday, when share prices responded optimistically to speculation that the UK authorities plan to cut domestic interest rates today.
Operations in the London

AL THE SERIDAY WAR

1 march

Chicago

35°

. . .

money markets yesterday afternoon by the Bank of England appeared to indicate that the UK central bank that the UK central bank might accept the half-point cut in UK base rates as a first step to the 1%-point reduction on which the London stock market is now fixing its hopes. Yesterday's continued firmness in the sterling exchange rate index encouraged hopes that the widely expected cut in base rates cannot be too far away. However, the equity mar-However, the equity mar-ket's response was muted and

Account Dealing Dates That Declings: Apr 29 May 20 Jun 3 May 31 Jun 14 Jun 10 Jun 24

share prices closed below the best levels of the day in spite of a firm opening to the new Wall Street session. Investment confidence was checked by the disclosure of a virtually unchanged UK trade balance for last month, which seemed to cast doubts over the recent improvement in Britain's balance of payments.

when some profits were taken. urgent calls for further cuts in The final reckoning showed domestic base rates. Storethe Footsie index at 2,482.8 with a net gain of 18.9.

The market advance lent heavily on gains in a few spe-

cific stocks. ICI moved up smartly, with Wellcome, the pharmaceuticals group, also strong on market hints that the problems over Hanson's interest in ICI could be solved by a link-up on the drugs side between ICI and Wellcome, the drugs group famed for its antialds products. Such sugges-tions were first heard last week, immediately after Hanson acquired its stake in the blue chip UK chemical com-

After a slow start, the FT-SE disturbed by fresh evidence of the effect on UK corporate trading of the top in late trading pressures which lie behind the

house, which through its British Home Stores and Habitat subsidiaries reflects a major sector in UK retailing, commented that "the spring sale has not happened and the sec-ond half of last year has been pretty bloody - but we are out there fighting".

Seaq trading volume remained disappointingly low at 422 lm shares against 459.4m in the previous session, which was marked by increased sell-ing pressure, according to market traders. Analysts remained depressed by the overall corporate background and again flinched in the face of sugges-tions that further rights issues could soon fall on a market already badly hurt by the weight of fund-raising moves since the turn of the year.

Most of the international blue chips stocks were firmer yesterday with the notable exception of the oil sector, which failed to follow the rest of the London market.

Market strategists appeared slow to accept yesterday's raily in equities, which still left the FT-SE index well short of the 2,500 mark regarded as the significant turning point for equities. Equity market chart strategists remained particularly cautious, with Mr Richard Lake of Houre Govett, the Lon-don brokerage house, warning that the Footsie index may now be "working downwards" with a short-term correction to the 2,300 level likely. He believes that London is at risk to a Dow Jones Industrial Average poised to break downwards just as the Nikkei average has turned bearish.

shares of retail pharmacy

group Macarthy move above the level of the all-paper bostile bid from Scottish-based mini-conglomerate Grampian

Holdings. Speculation on the

company which Macarthy tried to acquire three years ago. Some traders were of the opin-ion that the exit price for Macarthy (up 32 more at 234p)

could be around 240p.

Medeva, the fast-expanding

pharmacentical company, recorded unusually beavy

turnover of 13m shares yester-

day, the day the funding arrangements were unveiled for its first US acquisition. These entail the placing of 45m

new shares at 125p each, subject to an open offer to existing shareholders. Single trades of 4m and 3.8m shares, both at 150p, were done as the stock

advanced 10 to 149p.

Other Market statistics,

share index and London

Traded Options, Page 24

including the FT-Actuaries

Fixed Interest 93.45 93.40 99.41 93.96 93.61 67.29 Ordinary Stare @ 127.0 734.7 43.0 [22/2] (15/2/83) (26/10/71] 2054.8 2545.3 986.9 (18/1) (5/4/91) (23/7/84) FT-SE 100 Share 2545.3 1176.39 938.62 1176.39 938.62 (15/4) (16/1| (15/4/91| (16/1/91) ●Ord. Div. Yield ●Earning Yid %(full) ●P/E Ratio(Net)(☆) Basis 100 Gent. Sect 15/10/26, Fixed Int. 1926. Onlinery 1/775, Bold cares 12/9:55. Basis 1000 FT-SE 100 51/12/65 & FT-SE Executed: 200 28/10/90. -> NO 13/74 8 indication 27,335 689.24 27,344 26,178 738.79 25,526 371.5 GILT EDGED ACTIVITY SEAO Bargna 4.45pm 24,000 Indices* May 22 May 21 GIII Edged Bargains Ordinary Stare Index, Hourly changes Day's High 1947.1 Day's Low 1934.5
 Open
 9 am
 10 am
 11 am
 12 pm
 1 pm
 2 pm
 3 pm
 4 pm

 1934.5
 1936.5
 1938.0
 1941.3
 1941.1
 1941.4
 1941.3
 1943.8
 1943.7
 5-Day everage 93.4 "SE Activity 1874. †Excluding Intra-market business & Overseas turnover. Day's High 2484.0 Day's Low 2466 6 Open 9 am 10 am 11 am 2476.7 2476.7 2476.7 2476.0 2476.9 2476.9 2476.9 2476.0 2476.0 2476.9 2476.9 2476.9 2476.9 London report and FT-SE Eurotrack 200, Hourly changes Day's High 1168.65 Day's Low 1163.04 Open 10 am 11 am 12 pm 1 pm 2 pm 3 pm 1164.50 1164.50 N/A 1184.51 1165.05 1167.59

TRADING VOLUME IN MAJOR STOCKS

| Page |

FINANCIAL TIMES STOCK INDICES

Spoiling tactics denied THE speculation sy

stock market raid by Hanson, which accumulated a 2.82 per cent stake in the chemicals giant, continued yesterday as giant, continued to suggesticate the con cent stake in the chemicals giant, continued yesterday as the market reacted to suggestions of a link-up between ICI and Wellcome in a spoiling move against any Hanson bid.

Shrugging aside press suggestions that relities! Shrugging aside press suggestions that political opposition to any predatory moves against ICI was growing, ICI shares progressed to close 19 higher at 1246p. Turnover was a respectable 2.7m shares, with speculators said to be betting on imminent further developments in the situation. The stories of a pharmaceuticals link ries of a pharmaceuticals link between ICI and Wellcome were reported as being deriled

by the latter. Hanson settled Wellcome shares, which had been strongly boosted by a buy recommendation from US brokerage house Lehman Bros, closed 9 higher at 608p. on volume of Im.

Storehouse active

A two way pull developed in Storehouse, the retailing conglomerate, after it reported annual profits down by more than a half of £6.2m. The figures were depressed by an exceptional item of £14.8m.

The shares initially dipped on the results. However, before exceptional items, profits were close to expectations and this encouraged some buying at the lower levels, leaving the stock

encouraged some buying at the lower levels, leaving the stock unchanged at 101p on turnover of 5.3m.

Opinion is divided on Storehouse, with some specialists not expecting a strong recovary in the depressed and increasinglycompetitive retail increasinglycompetitive retail market. Others say it would only take a small percentage increase in sales to feed through into higher profits. Profits of £21m prior to excep-tional items compare with sales of £1.2bn, making it one of the most operationally

Lloyds Bank rises

A largely lacklustre showing by the banks was reversed in mid-afternoon when Lloyds Bank spearheaded a strong and sustained upturn in the

Driving Lloyds higher, as well as the sector, was a story that a leading investment bank

FOOG MANU	acturing	
FT-Actuaries Inde	ox relative to the F	T-A All-Share Index
110		
405		
105		
100	WT.	4
95 May	1900	1991

In spite of the second worst recession since World War II, food manufacturing has not provided much of a safe haven for investors. As well as proving to be less recession-proof than previously thought, the sector has suffered from lack of any major bid activity. In the last year, Sir James Goldsmith sold his 28.5 per cent stake in Ranks Hovis McDougall; General Cinema disposed of its 17 per cent interest in Cadbury Schweppes; and Mr Larry Goodman sold his 9 per cent holding in Unigate. Furthermore, economic recovery may boost cyclical stocks before food economic recovery may boost cyclical stocks before food manufacturers, analysts believe.

had adopted a highly positive stance on Lloyds after a City lunch, increasing its profits and dividend forecasts for the bank. Dealers said Lloyds was set

on a policy of real growth in its dividend and that the bad debts situation was not as severe as had been thought.
Lloyds has been badly affected
by the problems over Mr Larry
Goodman's business, as well as
Polly Peck and International Leisure. It is thought to be a lender to Brent Walker.

There were suggestions that Lloyds, had, controlled costs, and that there was the possibility of it writing back some of its LDC desser developed countries. try) debt provisions. Lloyds Bank shares ended a ...

net 11 higher at 342p after heavy turnover of 3.3m.

BT pleases The market gave an immediate and positive response to the preliminary figures from BT (formerly British Telecom), which revealed profits — up 14 per cent for the year — and the dividend — increased by almost 13 per cent for the 12 months — at the top end of

BT stock, a strong performer throughout the week, closed 10% ahead at 383%p with turnover reaching 9.4m, well above its usual levels. Most analysts were pleas-

antly surprised by the figures, and pointed out that the nptick in profits was largely due to a lower than expected tax charge and a steep reduction in staffing levels, which were some 18,500 down over the year. On the latter, specialists said the company now looks likely to achieve targeted job cuts of 35,090 a, year ahead of the acheduled March 1993. Mr John E Clarke, electron-ics analyst at Daiwa, the Japa-

nese securities house, said he was looking for profits of 23.3bn in the current year. He added that there was etill added that there was "attli plenty of upside potential in the shares", which he thinks "will still outperform the mar-ket". Mr Chris Tucker at Carr Kitcat & Aitken said he was sticking with his current year number of £3.81bn; "We remain positive on the stock."

Courtaulds overcame the

consensus view that the group would be stretched to repeat last year's growth in earnings

NEW HIGHS AND LOWS FOR 1991

SECU HIGHE (ST).

BRITISH FUNDS (II) Trees. Opc 1982, Truss. 10-1 pa Criv. 1982, Truss. 10-1 pa 1983, Funding Opc 1984, Truss. 20 pa 1984, Funding Opc 1984, Truss. 20 pa 1984, Truss. 20 pa 1984, Truss. 20 pa 1984, Funding Opc 1984, Truss. 20 pa 1984, Funding Opc 1984, Truss. 20 parishey, CHEMERALS (2) Halakead (J), Phys. 170128 (4) Argos, Essex Purrillers. OS, Sharwood, Essex Purrillers. S. Chemeral S. Committers. McCarlos Tollars Tradition (1) VSEL Conscitution. McDustriant States (1) Alba-Laval, Araboratory, Assoc. Brit. Ports, Astra A. Araboratory, Assoc. Brit. Ports, Astra A. Araboratory, Parishes (2) Extra Discosy, Int. Resort, Parishes (2) Extra Discosy.

TRUSTS (11) Archimedes inc., Berimers', City of Oxford Zero Prf., Darlimotor, Lew Debrether, Lette Amer., Personal Americ, Rights & Issaes, TR Tech, Zero Prf., Traspistos Esserging Mich., Tor Inc., CRLS (1) Petrolins, MBCS (2) Doral Res., ERGC New Lower Ann.

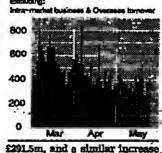
and moved shead 8 further to ering fund-raising. Guinness shares weakened 24 before rai-393p. Most investment bouses put the stock on hold with a recommendation to be overlying smartly behind an official denial by LVMH to end just a penny off on the session at penny off on the session at 938p. Talk of agency broker James Capel being positive on the stock helped the recovery. Sovereign Oil & Gas fell sharply by 16 to 110p, reflecting worries about a pos-sible downgrading of its Emer-ald field reserver. weight long-term, but Hoare Govett thought it undervalued. Analysts Mr John Doree and Mr Martin Evans said any rela-Hopes of a counter-offer saw

Mr Martin Evans said any relative weakness following Wednesday's good figures should be used as an opportunity to acquire stock in a well managed company which, on an 11 per cent discount, is by no means expensive given the steady earnings outlook.

Whithread, one of the four big brewers, beat market expectations with a near 10 per cent rise in amonal profits to cent rise in amnual profits to identity of the possible third party ranged between King-fisher, Lloyds Chemists, AAH Holdings and Unichem, the

FT-A Alf-Share index





£291.5m, and a similar increase in total dividend distribution.. Analyst Mr Mike McArthy of impressed, saying: "Unlike others in the sector, Whitbread has successfully used the period of recession as a time to invest in its estates and concepts, leaving it very well placed to respond to any placed to respond to any revival in consumer confidence." The "A" shares regained Wednesday's fall and closed IS up at 486n.
Positive advice both from Hoare Govett and BZW in the wake of Wednesday's lower results to be a relief to the confidence of the confidence

profits touched off a rally in Bass, which regained 17 to 971p. County NatWest thought the shares were likely to mark time for a while and main-tained its stance to sell into

tained its stance to sell into strength. BZW also afforded a buy rating to Grand Metropolitan, up 13 at 777p.

Guinness, on the other hand, was beset by reports emanating from the traded options market that French group LVMH, in which it holds a 24 per cent stake, could be considper cent stake, could be consid-

EQUITY FUTURES AND OPTIONS TRADING

GUINNESS suffered a sharp early decline following an options market trade which reflected anticipation of a large fall in its share price by the end of the summer.

The movement was trig-

gered after Anglo Pierson bought 200 Angust 850 puts at 8½p, an investment which gives the option holder the right to sell 200,000 Guinness shares at 850p any time until the end of August. There was also speculation

thet LVMH, the French luxury goods group in which Guin-ness has a 24 per cent stake, was planning to make a rights issue. This was later denied.

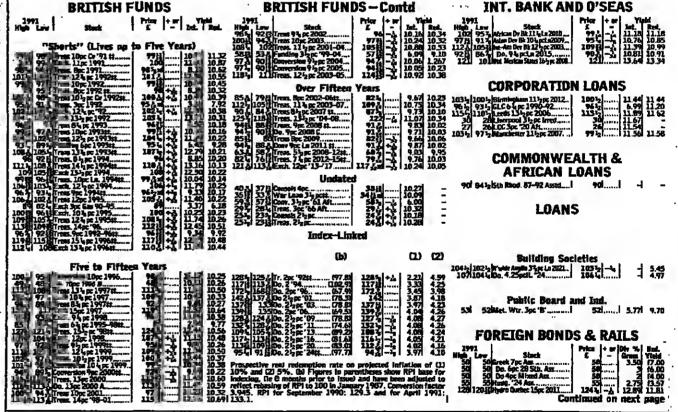
Talk of Guinness bond holders converting into equity later in the month also weakened the shares, but they rallied to close 4 down at 935p. The November 900 calls were also actively traded.

British Telecom 390 calls were bought and August 360 puts sold after stronger than

expected final profits. Hones of expected final profits. Hopes of a recovery in Sears again prompted activity in its options. A buyer of 500 Decem-ber 100 calls boosted turnover. GEC Angust 200 calls and Hanson August 220 puts were also busy markets.

tinued to lack any inclination to lead the stock market. June closed 22 points up at 2,495 and maintained a premium to the spot index of around the fair value level of 10 points.

LONDON SHARE SERVICE



APPOINTMENTS London from Swiss Bank

Managing director of Minet

miner Holdings, part Group, Minnesota, has appointed Mr Peter Christie as group managing director and chief operating officer from June 1 based in London. He is currently a group deputy chairman and responsible for the group's interests in North

Mr Richard Strong has been appointed a non-executive director of the H&T WALKER group. He was chief executive of the Strong & Fisher group.

POLYPIPE has made Mr Brian Jones managing director of Oasis Leisure Products, manufacturer of plastic garden furniture and patio sets. He was previously managing director of Hartman UK. Polypipe acquired Oasis last

Mr Nicholas Butt and Mr Nick Dillon have been appointed directors of ROBERT FLEMING & CO.

■ Mr Bob Jones has been appointed non-executive chairman of PC COMMUNICATIONS following its management buy-out from Alphameric. He will also represent 3i, which financed the buy-out.

THE SALEX GROUP, Colchester, has promoted Mr John Warwick to the board. He is sales director of subsidiaries Sound Attenuators, and Sound Attenuators Industrial. He joined the company in 1989 from Thurne Engineering.



MANUFACTURERS HANOVER has formed a European securitisation and securities finance department, which will be headed by Mr. Andrew Dobson (pictured), managing director in London:
Johning the department for
securitisation operations are
Mr Stephen Oxenbridge, vice
president and previous head
of the international asset-backed securities division at First National Bank of Chicago, London; Mr Richard Senior, vice president; and Mr Andrew Gardner, investment banking officer. For private placements Mr Paul Varotais will be joining the unit in

Corporation in New York, to orchestrate European borrower access to US investors via Manufacturers Hanover's New York private placements team. Ms Avril Hammill will continue to play a similar role in London for access to Japanese investors in Tokyo. Ma Susan Moore will as before cover Japanese corporate and leasing company relationships in Europe.

THE PENINSULAR AND

ORIENTAL STEAM

NAVIGATION COMPANY has made the following changes. Mr Alan Hatchett, responsible for the group's port interests, retires from the main board on September 30. He will continue as chairman of P&O Pension Funds investments. Mr Alec Black will relinquish the chairmanship of P&O Bulk Shipping on May 31. Main board director Mr Tim Harris will succeed him, and will continue in his existing ppointments. Mr Karl Timmermann, managing director of P&O Bulk Shipping, will additionally become deputy chairman. Mr Black will retain responsibility for the group's safety and environmental policies, P&O's Pakistan interests, Three. Quays Marine Services, and P&O Group Insurance. He retires from the main board

■ INTEGRAL TECHNOLOGY, Alton, has appointed Dr Bernard Harvey as managing director. He was technical director at Third Wave

on December 31.

Systems, and the move follows the recent acquisition of a further 35% of the equity of Integral Technology by Third Wave Network, bringing the total holding to 94%.

■ LYNX HOLDINGS has appointed Mr Richard Last as group managing director He was finance director of Quandrant Group. Mr Tony Evans, formerly

with Fassnidge Son & Norris, has joined the JOHN LELLIOTT GROUP as managing director of Riverside Mouldings, a fibrous plaster specialist based in Greenwich.

Nissan Motor (GB) senior posts ■ Despite a court battle with

Nissan UK over vehicle distribution rights in the UK, NISSAN MOTOR (GB) appointments. Mr Andrew Green, formerly purchasing director at Rover, becomes marketing director. Mr Anthony Bastwood, formerly manager of employee relations planning at Jaguar, is to
become personnel manager.
Mr Jon Beveridge, dealer
franchising manager at Ford
of Europe, is to become dealer
appointments manager. Two executives from Nissan's Sunderland assembly plant, Mr Joel Motte, sales manager, and Mr Jon Hill, quality assurance manager, have been appointed Midlands regional sales manager and product support manager respectively.

Wright Seligman International Growth Fund Wright Seligman UK

Growth Fund Wright Seligman UK

Redemption of units in the above authorised Unit Trusts

has been suspended by Wright Seligman Fund Managers Limited with effect from 4.00pm, Tuesday 21 May, 1991. This action has been taken by Wright Seligman Fund

Managers Limited with the agreement of Lloyds Bank Plc as Trustee, having regard to the interests of unitholders, after investigations revealed suspected irregularities in the provision of margin for option dealings.

In accordance with relevant regulations the SIB, IMRO and LAUTRO have been informed.

Lloyds Benk Plc. is a member of IMRO.



THE THOROUGHBRED BANK.

New Zealand £200,000,000

Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 22nd May, 1991 to 22nd August, 1991 the Notes will bear interest at the rate of 11½ per cent. per annum. Coupon No. 24 will therefore be payable on 22nd August, 1991 at £1,465.07 per coupon from Notes of £50,000 nominal and £146.51 per coupon from Notes of £5,000 nominal.

S.G. Warburg & Co. Ltd. Agent Bank

Notice of Redemption

BERGEN BANK A/S

YEN 10,000,000,000 Zero Coupon Notes Due 1993 (the "Notes")

NOTICE IS HEREBY GIVEN pursuant to Condition 5(c) of the terms and conditions of the above-mentioned Notes, that Dennorske Bank AS, formerly known as Bergen Bank A/S, (the "Bank") has elected to redeem on 28th June, 1991 (the "Redemption Date") all of its outstanding Yen 10,000,000,000 Zero Coupon Notes Due

1993 at 91.33 per cent. of their principal amount.

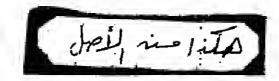
The Notes should be presented and surrendered to the paying agents (as shown on the reverse of the Notes) on the Redemption Date.

May 24, 1991 By: Citibanic, N.A. (CSSI Dept) London Principal Paying Agent

CITIBANCO

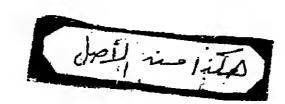
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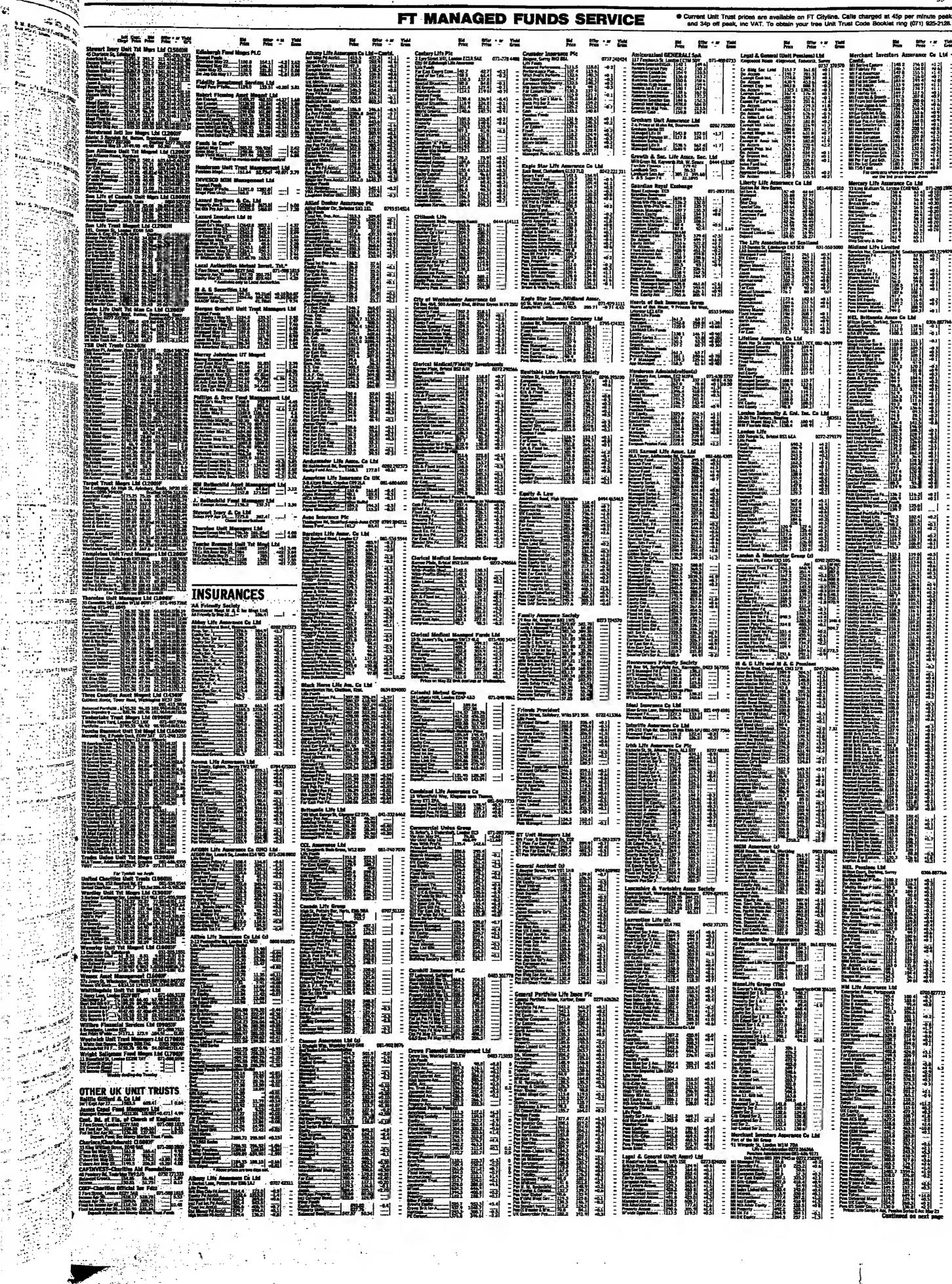
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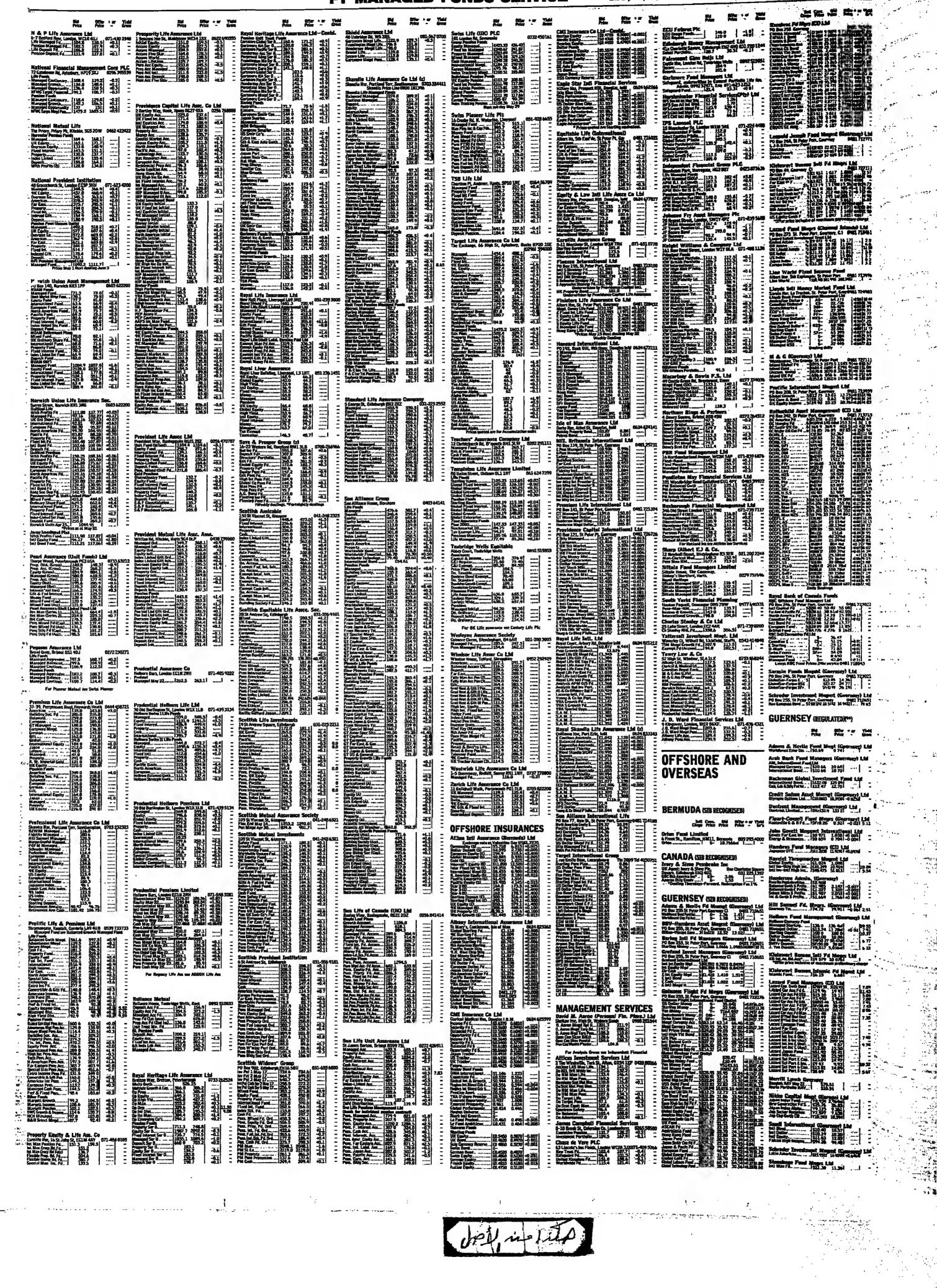


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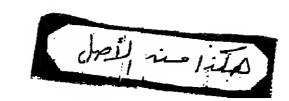




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Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your tree Unit Trust Code Booklet ring (071) 925-2128. FT MANAGED FUNDS SERVICE TSB Trust Famils (CT) TSB 176 Emils (CT) TSB 176 Emils (CT) TSB 176 Emils (CT) TSB 176 Emils (CT) TSB 186 Perils TSB 187 Peril Unithank SA, Frankrumer I (n) Entitler 92. En75.56 Liobel Bords. Dik116.71 —— Liobel Bords. Dik116.71 —— Liobel Bords. Dik112.30 Starting fued. (120.87 —— Starting fued. (120.87 —— Liobel Bords. (6x111.29 —— Unito Financial Services SA Lux Of Instrumer Bask Lux Actitic Promise Activities of the Activities Promise Activities of the Activities of IRELAND (SIB RECOGNISED) PO Box 271, St. Heller, Jersey Jersey Gilt (r)54 | St. Life 6.148440.1775 | 2014 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | 751 | | Type | Lloyds Bank (CD U/T Mgrs.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling firm as dollar falls

PROFIT-TAKING hit the dollar yesterday, pushing the currency lower at the London close. A rise of 2.9 per cent in April US durable goods orders was the first gain in the data so far this year. It followed a revised drop of 4.5 per cent in March, and was stronger than market forecasts of a 2.1 per

This provided the dollar with temporary support, but it fell back after falling to decisively break through DM1.7300. This led to profit-taking amid speculation that the Federal Reserventials he about the gase its monmight be about to ease its mon-etary stance by cutting the tar-get rate for Federal funds on the New York money market.

The Fed quashed any such ideas by draining liquidity, via overnight sale and purchase overnight sale and purchase agreements, as Fed funds traded at 5% per cent. This was below the assumed target level of 5% per cent, but in general analysts doubted that the Fed needed to intervene. Dealero suggested that the action might have been a signal to the market that credit policy has not been changed.

Mr Brian Fabbri, chief economist at Midland Montagu US, told a New York meeting of the

told a New York meeting of the British-American Chamber of Commerce that the target rate for Fed funds will probably fall to 5 per cent by the year end, but that this is unlikely to pro-

£ IN NEW YORK

3 p 12	norths months	0.8 2.3 6.8	5-1.7375 5-0.83ptz 1-2.28pm 5-6.75pm	0 2 6	278-1.7298 .87-0.86pm .41-2.37pm .96-6.88pm			
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			May.	23	Previous			
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C	URRE	NC	MO/	E	ENTS			
	May 23		Bank of England Index		Morgan ^{an} Goaranty Changes %			
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CURRENCY RATES					
May 23	Bank 4 rate %	Special * Drawing Rights	European † Corrency Valt		
Sterling U.S. Dollar Canedian S Austrian Sch Austrian Sch Berdjan Franc Danish Krone D-Mark Druck Guilder French Franc Italian Usa Aurway Krone Spanish Peseta Swedish Krone Swedish Krone Swedish Franc Careek Drack Insk Punt	6.00 9.77 10.50 6.50 7.75 11.12 8 10.00 19.00	0.775925 1.34545 1.54592 16.2396 47.4272 8.82279 2.30664 7.83388 1712.07 184.865 8.97146 143.048 N/A N/A	0.692825 1.19131 1.37382 14,4840 42,3452 7.87517 2.05869 2.31913 6.98586 1530.48 164.461 8.00979 127.530 7.38316 1.74527 225.515 0.748668		
a Bank rate refers to central bank discount rates.					

May 23	£	5
	17038 1 - 17055.4	9860 00 - 9870.0
	2,2680 - 2,2700	1.3210 - 1.3220
	475,75 - 476,55	275.40 - 275.70
	7.0400 - 7.0620	4.0825 - 4.085
	322.00 - 328.45	186.80 - 190.60
	13.4195 - 13.4330 119.10°	7.7850 - 7.7870 68.00°
Korea(Sth)	1295.70 : 1265.80	723.80 - 729.60
Kennait	N/A	123.00 · 129.00
Laxemboaru	61.45 - 61.55	35.40 - 35.50
Malaysia	4,7535 - 4,7620	27560 - 2758
	5160.00 - 5180.00	2987.00 - 2997.0
N.Zeatand	2.9590 - 2.9640	1.7225 - 1.724
Saudi Ar	6.4605 - 6.4730	3.7490 - 3.751
Singapore	3.0485 - 3.0560	1.7690 - 1.7710
S.A. (Cm)	4 8410 - 4.8530	17230 - 17246
5.Af (Fa)	5,6065 - 5,6995	3.2520 - 3.3066
Talwan	47.05 - 47.15	27.30 - 27.35
N A.E	6.3175 - 6.3390	3.6720 - 3.6740

MONEY MARKETS

THERE WAS a softer tone to interest rates in London yester-day, with the market boping

the Bank of England will endorse a cut in bank base

rates today, now that two 12 per cent borrowing facilities, for seven and 14 days, with the

central bank have expired.
Recent comments by the UK
prime minister and the chancellor of the exchequer have
led to opeculation about an

early rate cot, but there was little obvious encouragement

An optimistic mood

duce a quick expansion in the economy. He added that the recession "seems to have hit bottom and lost some of its intensity but (the economy) certainly hasn't turned up yet. Recovery is a good deal away.'

A survey among members of the US National Association of **Business Economists pointed** towards an end to the recession in the second or third quarter, but 93 par cent of those surveyed said they expect the recovery to be slower than normal.

At the London close the dollar had fallen to DM1.7140 from DM1.7215; to Y137.70 from Y138.00; to SFr1.4560 from SFr1.4595; and to FFr5.8225 from FFr5.8450. On Bank of England figures the dollar's index declined to 66.0 from

Currencies in the European exchange rate mechanism traded steadily. Sterling remained the second strongest

member, ahead of the Italian lira, but still well below the top placed Spanish peseta. The Bank of Spain denied it has any plans to cut the peseta's ERM band to 2% from 6 per

Sterling's strength accouraged speculation that the Bank of England may allow a cut of 1/2 point in UK bank base rates

UK trade figures for April had little impact on the pound. A trade deficit of £839m and a current account shortfall of £339m, after taking account of a surplus of £500m on invisible earnings, was in line with expectations.

In London sterling rose 85 points to \$1.7350. It also climbed to DM2.9750 from DM2_9725; to FFr10.1025 from FFr10.0925; to SFr2.5250 from SFr2.5200; and to Y239.00 from Y238.25. The pound's index gained 0.1 to 92.0.

	Ecu Central Rates	Correcty Amounts Against Eco May 23	% Change from Central Rate	% Spread vs Weakest. Currency	Divergence indicator
anish Pesrta	133.631 0 696904 1538.24 42.4032 2.31643 2.05596 0.7674195 6.89509	127,530 0,692825 1530,48 42,3452 2,31913 2,05859 0,768688 7,87536	-4.57 -0.59 -0.59 -0.14 0.12 0.13 0.17 0.42 1.32	6.16 1.91 1.83 1.46 1.20 1.18 1.15 0.89	792421744

POUI	ND SPOT	POUND SPOT - FORWARD AGAINST THE POUND										
May 23	Day's spresid	Close	One mooth	% p.a.	Three months	% p.a.						
<u></u>	1.7165 - 1.7385	1.7345 - 1.7355	0.85-Q.83cpm	5.81	2.31-2.28pm	5.29						
Canada Netherlands .	1 9790 - 2 0025 3 3435 - 3 3550	1.9965 · 1.9975 3.3450 · 3.3950	0.50-0.43com 7-4 com	2.79	1.28-1.15pm 2-13-pm	2.43						
elatum	60.95 - 61.55	61.45 61.55	17-12com	2.83	43-30am	23						
lesmark	11.3425 - 11.4050	11,3950 - 11,4050	212-114 oresm	224	6-412000	18						
reland	1 1090 - 1 1115	1 1105 - 1.1115	0.20-0.15ppm	1.89	0.50-0.40cm	1.6						
ermany	2.9685 - 2.9775	29725 - 29775	4 - Septpen	277	13-14pm	24						
ortagal	258.45 - 26L20	260.15 - 261.15	61-33cpm	-149	26-28jum 77-88dis	0.4 -1.7						
coals	163.50 - 184.70 2203.25 - 2232.00	183.75 - 184.05 2210.75 - 2211.75	20-25cdis 1 4 ireans-par	634	15 pm- 4ds	0.0						
taly	11.5410 - 11.6000	11 5900 - 11 6000	24-14 orepor	101	5-3-100	1.4						
rance	10.0700 - 10.1200	10.0975 - 10.1075	24-2cpm	260	5%-51.00	Ži						
wedes	10.6310 - 10.6875	10.6775 - 10.6875	%-4-oreom	0.56	lom-par	0.19						
ـ معريدا	237 25 - 239.50	238 50 - 239.50	%−kypm	4.08	24-200	35						
wstrla	20 87 - 20.96	20.93 - 20.96	5%-4 kgreen	2.76	131,-11 100	2.3						
	2 5155 - 2 5300	2.5200 - 2.5300	4-4000	3.27	21 ₄ -2pm	3.2						
witzerland .		1 4436 1 8406	0.74 0.75	1 06	0.47.047	1 7						
Commercial r .88-6.78pm	1.4415 · 1.4510 ates taken towards ti Japanese close show	1.4475 - 1.4485 te end of Loadon trad td have read 237,75-	238,75 for 22/5		0.67-0.60pm r 4.12-4.07cpm , 1	2 Mont						
Commercial r .88-6.78pm	1.4415 · 1.4510 ates taken towards the Japanese close show	e end of London tradi	og. Six-month forw 238,75 for 22/5	ari della	0.67-0.80pm r 4.12-4.07cpm , 1 THE DOL	LAR						
Commercial r .88-6.78pm	1.4415 · 1.4510 ates taken towards ti Japanese close show	e end of Loadon trad ld have read 237,75	og. Six-month forw 238,75 for 22/5	ard della	0.67-0.60pm r 4.12-4.07cpm , 1	2 Monti						
Commercial as 88-6,78pm DOLL May 23	1.4415 · 1.4510 ates taken towards til dapanese close short AR SPOT Day's spread 1.7165 - 1.7385	e end of London tradition read 237.75- FORWAR Close 1.7345 - 1.7355	eg. Six-meath fore 238,75 for 22/5 RD AGAIN One month 0.85-0.83cpm	ST % p.2	0.67-0.60pm r 4.12-4.07cpm , 1 THE DOL Three months 2.31-2.20pm	LAR						
Commercial r .88-6.78pm DOLL May 23 JKr	1.4415 · 1.4510 ates taken towards ti dapanese close short AR SPOT Oay's spirad 1.7165 - 1.7385 1.5466 - 1.5590	e end of London tradi id have read 237.75- FORWAR Cose 1.7345 - 1.7355 1.5540 - 1.5520	eg. Six-meath fore 238,75 for 22/5 RD AGAIN One month 0.85-0.83cpm 0.59-0.54cpm	ST % P.A. 5.BL	0.67-0.60pm r 4.12-4.07cpm , 1 THE DOL Three months 2.31-2.28pm 1.55-1.45pm	2 Mont LAR % 22 52 3.8						
onunercial s .88-6.78pm DOLL May 23	1.4415 · 1.4510 ates taken towards ti .dapanese close stem AR SPOT Oay's spirad 1.7165 · 1.7385 1.5466 · 1.5590 1.1490 · 1.1536	e end of London tradial have read 237.75- FORWAR Cose 1.7345 - 1.7355 1.5540 - 1.5550 1.1500 - 1.1510	eg. Sis-month form 238.75 for 22/5 RD AGAIN One month 0.85-0.83 que 0.59-0.5 que 0.59-0.5 que 0.59-0.5 que 0.59-0.5 que	ST	0.67-0.60pm r 4.12-4.07cpm , 1 THE DOL Three months 2.31-2.28pm 1.55-1.45pm 0.300.95dk	2 Mont 2 Mont 22 52 3.8 -2.8						
onunercial s.88-6.78pm DOLL May 23 IKrefandi	1.4415 · 1.4510 atas taken towards ti .dapanete clore sken AR SPOT Day's spread 1.7165 - 1.7385 1.5466 - 1.5590 1.1490 - 1.1536 1-9280 - 1.9495	e end of London trad id have read 237.75- FORWAF Cose 1.7345 - 1.7356 1.5540 - 1.5590 1.1500 - 1.1510 1.9310 - 1.9301	eg. Six-meath fore 238,75 for 22/5 RD AGAIN One month 0.85-0.83cpm 0.59-0.54cpm	ST % P.A. 5.BL	0.67-0.60pm r 4.12-4.07cpm , 1 THE DOL Three months 2.31-2.28pm 1.55-1.45pm 0.30-0.85dts 1.46-1.51dts	2 Mont 2 Mont 52 52 -3.0 -2.9						
ommercial s.88-6.78pm DOLL May 23 IKrefand;	1.4415 · 1.4510 ates taken towards ti .dapanese close stem AR SPOT Oay's spirad 1.7165 · 1.7385 1.5466 · 1.5590 1.1490 · 1.1536	e end of London tradid have read 237.75- FORWAR Cose 1.7345 - 1.7355 1.5540 - 1.5550 1.1500 - 1.1510	eg. Sis-month fore 238,75 for 22/5 RD AGAIN One month 0.85-0.83 quer 0.59-0.54 quer 0.59-0.54 quer 0.51-0.54 quer 7.80-9.80 quer 1.95-2.25 quer 1.95-2.25 quer	581. 4.36 -3.13 -3.26 -3.84	0.67-0.60pm r 4.12-4.07cpm , 1 Three months 2.31-2.28pm 1.55-1.45pm 0.30-0.356i 1.46-1.51dk 23.00-29.00dk 5.65-6.05dk	2 Mont 24 52 52 -3.8 -3.0 -2.9						
ommercial z .88-6.78pm DOLL May 23	14415 · 1.4510 atas taken towards if Japanese close skin AR SPOT 0ay's spread 1.7165 - 1.7385 1.5466 - 1.5590 1.1490 - 1.1535 1.2980 - 1.9495 3.40 - 35.60 6.5675 - 6.6200 1.7995 - 1.7318	e end of London trad id have read 237.75- FORWAR Cose 1.7345 - 1.7356 1.5340 - 1.5260 1.1500 - 1.1510 1.9310 - 1.9320 3.6.40 - 35.50 6.5675 - 6.5725 1.7135 - 1.7145	ag. Sis-mants fore 238,75 for 22/5 RD AGAIN One month 0.85-0.83 que 0.29-0.31 psis 0.51-0.54 que 0.29-0.31 psis 0.51-0.54 que 0.29-0.32 psis 0.51-0.54 que 0.29-0.32 psis 0.32-0.44 psis 0.42-0.44 psis 0.42-0.44 psis	P4 P4 P4 5.81, -3.13 -3.265 -3.184 -3.01	0.67-0.60pm r 4.12-4.07cpm . 1 THE DOLL Three months 2.31-2.28pm 1.95-1.45pm 1.95-1.45pm 1.95-1.45pm 1.95-1.91dm 2.90-2.90dm 5.95-6.05dm 1.27-1.30dm	2 Month 24 528 -38 -39 -35 -30						
commercial z .88-6.78pm DOLL May 23 IKr	14415 - 1.4510 atas taken towards til dapanere clore skin RR SPOT 0ay's spirad 1.7165 - 1.7385 1.5466 - 1.4590 1.1490 - 1.1535 1.9280 - 1.9495 38.40 - 35.60 6.5673 - 6.6200 1.7095 - 1.7310 150.55 - 150.70	e end of Loadon trad of three read 237.75- FORWAR Close 1.7345 - 1.7355 1.5540 - 1.5500 1.1500 - 1.1510 1.9310 - 1.9320 35.40 - 35.50 6.5675 - 6.5725 1.7133 - 1.7145 1.95.60 - 1.50.70	eg. Sis-monts fore 238,75 for 22/5 ED AGAIN One month 0.85-0.83cpm 0.57-0.54cpm 0.51-0.54c8c 7.80-9.80cdts 1,95-2.25crells 0.42-0.44pridis 40-56clts	P.A. 5.81. 4.363.133.263.843.78	0.67-0.60pm r 4.12-4.07cpm , 1 THE DOL Three months 2.31-2.28pm 1.55-1.45pm 0.30-0.95db 1.46-1.51db 23.00-29.00db 1.55-6.65db 1.27-1.30db 1.27-1.30db	2 Month % 22 528 -288 -30 -299 -30 -30						
DOLL May 23 IKr. relandf anada echertamb; elglam ecmark ermany orungal main	14415 · 1.4510 atas taken towards if Japanete close skin AR SPOT 0ay's spread 1.7185 - 1.7385 1.5466 - 1.5590 1.1490 - 1.1535 1.4920 - 1.9495 3.40 - 35.60 6.5575 - 6.6200 1.7095 - 1.7310 150.55 - 150.70 160.10 - 107.20	e end of London trad id have read 237.75- - FORWAF Cose 1.7345 - 1.7355 1.5340 - 1.5250 1.1500 - 1.1510 1.9310 - 1.9320 35.40 - 39.50 6.5675 - 6.5725 1.7133 - 1.7145 190.60 - 190.70 106.10 - 106.20	eg. Sis-manth form 228,75 for 22/5 RD AGAIN One mosth 0.85 0.83cpm 0.94 0.54cpt 0.94 0.54cbt 7.80 9.80cbt 1.95 2.25credis 7.80 9.80cbt 0.42 0.44pfdis 55-60cbt 55-60cbt	581 436 -3.13 -2.26 -3.84 -3.01 -3.65	0.67-0.60pm r 4.12-4.07cpm . 1 THE DOLI Three morths 2.31-2.28pm 1.55-1.45pm 1.30-0.75dk 1.46-1.51dk 2.30-2.90dk 5.45-6.05dk 1.27-1.30dk 1.65-205dk 1.65-205dk 1.65-205dk	2 Month % 22 528 -28 -29 -30 -29 -30 -42						
ommercial /	1.4415 · 1.4510 atas taken towards if Japanere clore sken AR SPOT 0ay's spread 1.7165 · 1.7385 1.5465 · 1.5560 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.14510 1.1535 1.15	e end of London tradial three read 237.75- FORWAR Close 1.7345 - 1.7355 1.5540 - 1.5200 1.1500 - 1.1510 1.9310 - 1.9320 1.9310 - 1.9320 1.9313 - 1.9320 1.9313 - 1.9320 1.9316 - 1.9320	eg. Sis-manth form 228,75 for 22/5 RD AGAIN One mosth 0.85 0.83cpm 0.94 0.54cpt 0.94 0.54cbt 7.80 9.80cbt 1.95 2.25credis 7.80 9.80cbt 0.42 0.44pfdis 55-60cbt 55-60cbt	581 5.81 5.83 -3.13 -3.26 -3.13 -3.76 -3.76 -5.60	0.67-0.60pm r 4.12-4.07cpm . 1 THE DOL Three months 2.31-2.28pm 1.55-1.45pm 0.30-0.85db 1.46-1.51db 23 00-29.00db 1.27-1.30db 1.27-1.30db 1.65-0.5db 1.65-0.70db 1.64-0.1740db	2 Month % 22 528 -288 -289 -3.99 -3.99 -4.92 -5.33						
DOLL May 23 IKr. Selding Seld	1.4415 1.4510 atas taken towards the superior of the superior	e end of London trad id have read 237.75- - FORWAF 1.7345 - 1.7356 1.5540 - 1.5200 1.1500 - 1.1510 1.19310 - 1.1510 35.40 - 35.50 5.5475 - 6.5725 1.7135 - 1.7145 190.60 - 190.70 106.10 - 106.20 1274.25 - 1274.75	eg. Sis-manth form 228,75 for 22/5 RD AGAIN One month 0.85-0.83cpm 0.59-0.54cpm 0.59-0.54cpm 0.59-0.54cpm 0.59-0.54cpm 7.80-9.80ctls 1,93-2.25cmtls 50-5cotls 50-5cotls 57-6-0.018estls 57-0.20thredis 51-0.20thredis	581 581 581 581 581 581 581 581 581 581	0.67-0.60pm r 4.12-4.07cpm . 1 THE DOLI Three morths 2.31-2.28pm 1.55-1.45pm 1.30-0.75dk 1.46-1.51dk 2.30-2.90dk 5.45-6.05dk 1.27-1.30dk 1.65-205dk 1.65-205dk 1.65-205dk	LAH						
DOLL May 23 IRr refaod anada letherbands	1.4415 · 1.4510 atas taken towards if Japanere clore sken AR SPOT 0ay's spread 1.7165 · 1.7385 1.5465 · 1.5560 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.1490 · 1.1535 1.14510 1.1535 1.15	e end of London tradial three read 237.75- FORWAR Close 1.7345 - 1.7355 1.5540 - 1.5200 1.1500 - 1.1510 1.9310 - 1.9320 1.9310 - 1.9320 1.9313 - 1.9320 1.9313 - 1.9320 1.9316 - 1.9320	eg. Sis-manth form 228,75 for 22/5 RD AGAIN One mosth 0.85 0.83cpm 0.94 0.54cpt 0.94 0.54cbt 7.80 9.80cbt 1.95 2.25credis 7.80 9.80cbt 0.42 0.44pfdis 55-60cbt 55-60cbt	581 581 581 581 581 581 581 581 581 581	0.67-0.60pm r 4.12-4.07cpm . 1 THE DOLI Three months 2.31-2.28pm 1.55-1.45pm 1.55-1.45pm 1.56-0.06ts 1.76-1.30ds 1.65-205.6s 1.65-205.6s 1.65-205.6s 1.65-205.6s 1.65-205.6s 1.65-205.6s 1.65-205.6s	2 Mont 2 Mont 528 -388 -280 -399 -399 -538 -538 -538 -538						
Onionerical I. 88-6, 78pm DOLL May 23 IKr. relandi sandi	1.4415 · 1.4510 ats taken towards if Japanese close skins AR SPOT 0ay's spread 1.7165 · 1.7385 1.5466 · 1.5560 1.1990 · 1.1535 1.9980 · 1.9495 3.540 · 35.60 6.5675 · 6.6.200 1.7995 · 1.7311 150.55 · 1.90.70 106.10 · 107.20 106.800 · 6.7320 6.8000 · 6.7330 6.8000 · 6.7330 17.45 · 1.8815	e end of Loadon tradial three read 237.75- FORWAR Close 1.7345 - 1.7355 1.5540 - 1.5320 1.1530 - 1.1530 1.1530 - 1.1530 1.1530 - 1.1530 1.1530 - 1.1530 1.1531 - 1.5320 1.540 - 3.550 1.5473 - 5.725 1.7133 - 1.7145 1.5060 - 6.6850 1.274.25 - 6.250 6.1550 - 6.1600 1.37.65 - 1.8250 6.1550 - 6.1600 1.37.65 - 1.37.75	eg. Siz-manth form 228,75 for 22/5 RD AGAIN One mosth 0.85-0.83 que 0.59-0.54 que 0.59-0.54 que 0.59-0.54 que 0.59-0.54 que 0.59-0.54 que 1.95-2.25 que 1.95	581 9.4 5.81 4.363 -3.26 -3.84 -3.78 -3.84 -3.78 -5.60 -5.60 -5.60 -5.60 -5.60 -5.78 -5.60 -5.78 -5.78	0.67-0.60pm r 4.12-4.07cpm . 1 THE DOL Three months 2.31-2.28pm 1.55-1.45pm 0.30-0.85dm 1.46-1.51dm 23.00-29.00dm 1.55-1.50dm 1.56-0.65dm 1.65-1.70dm	2 Mont 2 2 528 528 -280 -280 -280 -280 -280 -280 -280 -2						
Consected I all the consec	1.4415 1.4510 atas taken towards it Japanete Core sken AR SPOT 02/5 spread 1.7485 - 1.7385 1.5486 - 1.5590 1.4990 - 1.1536 1.4990 - 1.1536 1.4990 - 1.5560 6.5675 - 6.6200 1.7095 - 1.7341 150.55 - 150.70 106.10 - 107.20 1277.00 - 1285.50 6.6900 - 6.7390 5.8100 - 5.8725 6.1380 - 6.2050 137.45 - 1.38.15 12.1150 - 12.1730	e end of London tradial three read 237.75- FORWAF 1.7345 - 1.7355 1.5340 - 1.5300 1.15300 - 1.1510 1.9310 - 1.1510 3.540 - 35.50 6.5675 - 6.5725 1.7135 - 1.7145 190.60 - 150.70 106.10 - 166.20 1274.25 - 1274.75 5.82500 - 5.8250 137.65 - 137.75 121275 - 137.75	eg. Sis-manth fore 228,75 for 22/5 RD AGAIN One mosth 0.85-0.83 que 0.59-0.54 que 0.59-0.54 que 0.59-0.54 que 0.59-0.54 que 1.62-0.54 que 1.62	5T 581313368401850647738889	0.67-0.60pm r 4.12-4.07cpm . 1 THE DOL Three months 2.31-2.28pm 1.55-1.45pm 0.20-0.85ds 1.46-1.13ds 1.65-205ds	2 Month 2 2 3.88 -2.89 -2.99 -4.29 -						
Onionerical I. 88-6, 78pm DOLL May 23 IKr. relandi sandi	1.4415 · 1.4510 ats taken towards if Japanese close skins AR SPOT 0ay's spread 1.7165 · 1.7385 1.5466 · 1.5560 1.1990 · 1.1535 1.9980 · 1.9495 3.540 · 35.60 6.5675 · 6.6.200 1.7995 · 1.7311 150.55 · 1.90.70 106.10 · 107.20 106.800 · 6.7320 6.8000 · 6.7330 6.8000 · 6.7330 17.45 · 1.8815	e end of Loadon tradial three read 237.75- FORWAR Close 1.7345 - 1.7355 1.5540 - 1.5320 1.1530 - 1.1530 1.1530 - 1.1530 1.1530 - 1.1530 1.1530 - 1.1530 1.1531 - 1.5320 1.540 - 3.550 1.5473 - 5.725 1.7133 - 1.7145 1.5060 - 6.6850 1.274.25 - 6.250 6.1550 - 6.1600 1.37.65 - 1.8250 6.1550 - 6.1600 1.37.65 - 1.37.75	eg. Siz-manth form 228,75 for 22/5 RD AGAIN One mosth 0.85-0.83 que 0.59-0.54 que 0.59-0.54 que 0.59-0.54 que 0.59-0.54 que 0.59-0.54 que 1.95-2.25 que 1.95	581 9.4 5.81 4.363 -3.26 -3.84 -3.78 -3.84 -3.78 -5.60 -5.60 -5.60 -5.60 -5.60 -5.78 -5.60 -5.78 -5.78	0.67-0.60pm r 4.12-4.07cpm . 1 THE DOL Three months 2.31-2.28pm 1.55-1.45pm 0.30-0.85dm 1.46-1.51dm 23.00-29.00dm 1.55-1.50dm 1.56-0.65dm 1.65-1.70dm	2 Mont 2 2 528 528 -280 -280 -280 -280 -280 -280 -280 -2						

May 23	Short	7 Days,	One	Three	Sitz	Ome
	term	potice	Monta	Mouths	Months	Year
rling Dollar Dollar Li Dollar Lich Golldder Iss Franc Mark Mark Mark John Franc John Franc John Franc John Franc John Franc	11 11 11 11 11 11 11 11 11 11 11 11 11	11	115 - 115 55 - 55 84 - 84 94 - 84 84 - 84 114 - 105 184 - 84 75 - 74 6 - 54	112 - 113 62 - 513 84 - 82 94 - 84 94 - 84 94 - 94 114 - 104 9 - 84 711 - 74 9 - 84 711 - 74 9 - 84	11-1-12-1-13-1-13-1-13-1-13-1-13-1-13-1	11 - 10 65 - 6 94 - 8 94 - 9 94 - 9 11 - 11 75 - 9 64 - 6

EXCHANGE CROSS RATES											
May.23	£	\$	OM	Yea	F Fr.	Ş Fr.	H Fl.	Lira	CS	B Fr.	ECU
£	1		2.975	239.0	10.103	2.525	3.350	2211	1.997	61.50	144
5	0.576	1	1.715	137.8	5.823	1.455	1.931	1274	1.151	35.45	0.83
DM	0.336	0.583	1	80.34	3.396	0.849	1.126	743.2	0.671	20.67	0.48
YEN	4.184	7.259	12.45	1000.	42.27	10.56	14.02	9251	8,356	257.3	6.05
F Fr.	0.990	1.717	2.945	236.6	10.	2,499	3.316	2188	1.977	60.87	1.43
S Fr.	0.396	0.687	1.178	94.65	4.001	1	1.327	875.6	0.791	24.36	0.57
H FL	0.299	0.51B	888.0	71.34	3.016	0.754	1	660.0	0.596	18.36	0.43
Lira	0.452	0.785	1.346	108.1	4.569	1.142	1.515	1000.	0.903	27.82	0.65
C\$	0.501	0.869	1.490	119.7	5.059	1.264	1.678	1107	1	30.80	0.72
B Fr.	1.626	2.821	4.837	388.6	16.43	4.106	5.447	3595		100.	2.35
ECU	0.691	1.198	2.055	165.1	6.977	1.744	2.314	1527	1.379	42.47	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

FFE LONG SELT FUTURE D,000 Life of 100%	S OPTIONS	LIPPE US TREASURY NONO FUTURES OPTIONS LIP S100,000 640s of 100%	PE BURD PETURES 250,800 paints of 3
Surfice Callinate Callinat	Pats-millements Jun Sep 0 0-25 0 0-41 0 0-42 0 1-25 1-00 1-59 2-00 2-36 3-00 3-19 4-00 4-07	Price Sep Dec Sep Dec 19 10 422 417 032 107 22 534 539 044 1-29 8 13 252 500 042 1-34 8 14 2-30 1-21 2-20 8 15 1-40 2-00 1-50 2-55 8 1-11 1-39 2-21 3-29 17 0-55 1-17 2-24 447 8	Tribe Carib-records Vice Jun 650 1.51. 1 650 1.01 1 550 0.01 0 550 0.01 0 550 0.01 0 550 0 0 550 0 0
timated volume total, Cali evicus day's open lot. Calis 2			iniment volume total, ricus day's uper int, C
FFE EURSMARK OPTIONS Clas peints of 186%		LIFFE EURODOLLAR OPTIONS USF USSLan points of 184% USA	FE SHORT STEELER 0,000 points of 190
Strike Calls-settlements Price Jun Sep 2025 0.77 0.56 0550 0.52 0.72 0075 0.52 0.72 1025 0.02 0.39 1125 0.02 0.16 1125 0 0.08 1125 0 0.04	Jun Syll O 0.001 0 0.003 0 0.002 0.005 0.002 0.005 0.002 0.005 0.002 0.005 0.0	Price Jen Sep Jen Sep 9900 990 9900 9910 9910 9910 9910 9910	rdbs Calls-Action rice Jun 1 100 0 81 1 125 0 56 1 150 0.33 1 155 0.13 0 000 0.07 0 100 0.07 0 175 0 0 175 0 0 175 0 0 175 0 0
YEAR 9% NOTIONAL EX 0,005 52mb of 180%	ti .		PANESE YEN COUNTY
Close Hi n 91-00 91- p 91-08 91- timated volume 15480 (15 prious day's open int. 332	52 90-21 90-31 99 90-30 91-67 88 49 9	Jun 1 Latest 1994 Linu Prec Jun 1 Sep 9-30 Jun 1 Sep 9-30 9-30 9-30 9-4.07 Sep 9-30 9-30 9-30 Mar 1 Sep 9-30 9-30 Mar 1 Sep 9-30	0.7216
TREASURY BONDS 8% 00,000 State of 100% Close His	sh Law Pres.	Mar DA	STSCHE MARK (IMM 125,000 S per IM Litter
Close Hill n 95-20 95-2 p 94-27 94-2 Usaaced velous 2215 (120	5 9425 9431	Sep Just Dec Sep Dec Na	0.5794 0.5750

1,93 1,54 1,19 0,90 0,46 0,32 0,21

SHORT STEELING OFTENS 00 points of 190%

SWESS FRANC (DANS) SF: 125,860 S per SF: PHILABELPHIA SZ 1/5 OPTION E31,250 (cycls per E1) 99.30 99.62 99.28 99.42

10 YEAR 10% NOTEDIAL FRENCH I 93.92 93.72 93.22 93.06 93.95 93.72 93.24 93.05 Est, Vol. Onc. figs, not showed 4506 (1879) Previous day's open int. 37008 (16876) ECO MONO (MATIF) ume 15444 (18907) i open Int., 117721 (116483)

90,52 90,83 91,00 91,09 90.55 90.85 91.04 91.09 Estimated volume 769 (386) Previous day's open last, 3408 (3312)

Estimated volume 3265 (3936) Previous day's open (at. 28253 (28082)

Estimated volume 1640 (3323) Prerious day's open Int., 14934 (14382) FT FOREIGN EXCHANGE BATES 1-mth 3-mth 6-mth 12-mth 1.7266 1.7121 1,6941 16667 DAM-STEELING So per C Latest High Law Pres. 17176 17192 17102 17214 16960 16970 16890 16998 16720 16828

BASE LENDING RATES

0.78

136,009

70,279

Dec. 0.90

174

6,990

	7		70	7	
ABN Bark	12	Comm. Bit. of London Pic	12	McDowell Dooglas Bak . 12	
Adam & Company	12	Co-operative Bank	12	Midland Bank 12	
Affred Trest Back	12	Coatts & Co	12	Mount Banking 12	
AIB Bank	12	Cyprus Popular Bk	12	Nat Bk. of Kewalt 135	
Henry Anstracter	12	Dembar Bank PLC	12	NatWestminster 12	
B & C Merchant Bank	12	Duscau Lawrie	12	Northern Bank Ltd 12	
Bank of Baroda	12	Senatorial Bank pic	12	Wykredit Mortgage Bank 125	
Basco Bilbao Vizcaya	12	Exeter Bank Limited	125	Provincial Bank PLC 14	
Bank Credit & Comm	12	Financial & Gen. Bank	12	Roxburote Bank Ltd 13	
Back of Cyprus	12	First Mational Bank Ptc.	15	Royal Bk of Scotland 12	
Bank of keland	12	Robert Fleming & Co	ĬŽ	Smith & Willman Secs 12	
Basic of Iodia	12	Robert Fraser & Pters	125	Standard Chartered 12	
Bank of Scotland	12	Girobank	12	TSB 12	
Banque Beloe Ltd	12	Geisoes Mahon	12	Unibank pic 12	
Barclays Bark	12	Hambres Back	12	United Bk of Kewait 12	
Benchmark Bank	12	Harachire Trust Pic.	134	United Mizrahi Bank 125	
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Charterhease Bank	12	Hongleong & Shanghai	12	Waltenway Laidlaw 12	
Citibank NA	12	● Leopetd Joseph & Sous	12	Yorkshire Bank 12	
City Merchants Bank	12	Lloyds Bank	12	• Members of British Merchant	
Clydesdale Bank	12	Megluraj Bank Ltd	12	Backing & Securities Houses	

SIMPLY THE BEST

65 Best Airline: [beria. A turn-up for the books this year. But in all my flights spot on time, tolerable food and lightning baggage handling 55

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lust around the corner from The Bank.

153 Fenchurch St. London Tel 071-626 2160 For a catalogue contact Mr Allan Henson

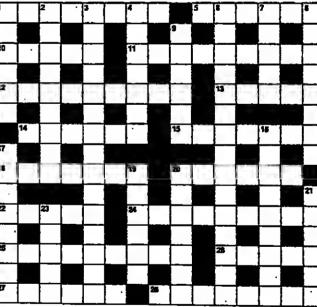
MONEY MARKET FUNDS

Money Market Trust Funds 074770114 -| 12 :25 site -| 12 035 V4 -| 12 45 Sin Cent. Sd. of Fin. of Courth of Emplandin 2 Fore Street Landon F 27 546 07. 528 1815 Depart 11 75 12.5015 and Q 82 3 37 Money Market **Bank Accounts** Setupor By Univider USS ISA 72 500-49 999 ID 00 110,000+ 11.00 itien Hume Bank ple DGIY Road ECIY 247 Garbinore Money Management Ltd 2-3 after fact fire, London St. 1 1815 - 871-270-140 Brossy Mrg. Act. 150 025 - 8 161 (21 3315-00 Addied Trust Bank Ltd 77-101 Gamen St. Lendon 158 Kentis Town Rd. Landon WWS 287 871 767 1580 H I C 4 142 50501 110 873 8 361 11 451 0640 Tyndail & Co Ltd A & C Merchant Wank PLC Portfolio Acc 9 Motromb Street, London SWIX BLB 071-745-0416 2.500-54-994 93.8 7.03 9.72 0tr 10.000-649-999... 10.75 8.06 11.19 0tr 50.000 Mel Above 112.25 0.44 11.73 0tr Trenew Shipley & Co Ltd Western Treat High Late the Margrenor, Physics PL 125 000 - 11 90 1, 000 - 124 499 11 50 11 000 - 14 999 11 50

JOTTER PAD

CROSSWORD

No.7,551 Set by GRIFFIN



ACROSS
1 Fights take time; they're usually boring (8)
5 A Scottish inventor ought to

return capital (6) 10 Joke about instrument of

10 Joke about instrument or torture (5)
11 Even golf clubs use these to make things smoother (9)
12 Sam's back in goal for cavorting in bloomers! (9)
13 Thought leading lady perfect (5)
14 Lots different to Elizabeth, a stable percent (6)

stable person (6)

15 Wonder if vehicle reversed long way round (7)

16 When in bed lord beard applause (7) 20 After last night is introduc-

ing cunning painter (6)
22 Times one holding posh cat

(5)
24 Recall the Queen turning to prayer (9)
25 Grows in folds (5)
26 Manage to return to Holybead for a time (5)
27 Artificial actor developed by

27 Artificial aster developed by Zulu leader (6) 28 String on pole round which slides wild sloth (8)

DOWN Change into suit (6) 2 in Alcoholics Anonymous a single drunk's painlessness 3 Thanks me - can't move without specific information

(15) 4 First person in golf club is tailer (7) 6 Turn tree oil into liquid TNT (15)

TNT (15)
7 Sobtary porter carries on (5)
8 Acquitted sailors loved being free (8)
9 Poor actor with very big name climbing into cab (6)
16 Fool, with hesitation, gets stuck into cabbage dish (9)
17 Facing counter, accepts if (8)

(8)
19 Through US mum getting the bird (6)
20 Charged Bill a hundred second-hand (7)

21 Longs to see spiteful women topless! (6)
23 Steals chips (5)
Solution to Puzzle No.7,560



from the Bank of England's action on the money market

UK clearing bank base lending rate 12 per cent from April 12, 1991

The authorities provided most assistance late in the day, to absorb a very large credit shortage. The amount of help supplied was also less than the

underlying shortage, according to official figures.

Yesterday'o UK trade figures for April were in the general region of most forecasts and had no impact on the market. 'Three-month sterling interbank fell to 11½-11½ from 11½-11½ per cent, and 12-month money eased to 11½-10½ from 11½-10½-10½

11 4-11 per cent. Prices of short sterling futures on Liffe reactad favourably to hopes of lower casb rates. June delivery opened higher at 88.78 and rose to a peak of 88.82 before closing at 88.81 compared with 88.78 previously.

Day-to-day credit was in very short supply on the money market. The Bank of England initially forecast a shortage of £1,350m, but revised this to £1,400m in the afternoon. Total assistance of £1,259m was provided.

An early round of belp was offered, but at that time the anthorities bought only £8m bills, by way of £5m bank bills in band 1 at 11½ per cent and £3m bank bills in band 2 at 11½ per cent. Before lunch another £66m bills were purchased, via £5m bank bills in band 1 at 11½ per cent. £16m Treasure. 11% per cent; £16m Treasury bills in band 2 at 11% per cent and £45m bank bills in band 2

at 11½ per cent. in the afternoon £780m bills were hought, through £101m Treasury hills in band 1 at 11% per cent; £649m bank bills in band I at 11% per cent; £5m Treasury bills in band 2 at 11#8 per cent: and £25m bank bills in band 2 at 11½ per cent Late assistance of around £405m

was also provided. Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £584m, with exchequer transactions absorbing £710m and a rise in the note circulation £145m. These outweighed hank balances above target of £70m.

FT LONDON INTERBANK FIXING (11.00 a.m. May.23) 3 months US dollars 6 months US Dollars

The fixing rates are the arithmetic means rounded to the meanut one-statement, of the bid and offered rates for SIDm quoted to the market by the reference banks at 11.00 a.m. cack working day. The banks are Matiguaji Westonisster Bank, Bank of Yolyo, Devictor, Bank, Banque Ratifonia the Paris and Morosta Gostranto Trint.

		IONE	/ RAT	E5		
NEW YORK			Treasur	y 8 ii is and	Bonds	
(Lunchtime)		One month		4.80 Three	year	7.97
Prime rate	. 0½ 7½ 5%	Three month		5.85 Sees 6.06 10-pc	year	7.66 7.95
May.23	Overnight	Çae Mantis	Two Moeths	Tiree Months	Stx Months	Lowberd leterrention
Fratkfart. Paris Zarich Amsterdam. Tokyo Millan Brussels Dubila	7.90-8.20 93-93, 73-73, 8.87-9.00 78-8 103-103, 8.75-8.88 103-103	0.758.90 94.94 74.84 0.94.9.02 78.72 114-112 84.84 102-104	8.80-8.95 91 ₈ -91 ₄	8.85-9.00 94-94 8-84 8-79-9.05 78-78 114-115 84-9 102-102	0.90-9.05 91-94 102-102	9.00 9.25 - - - -
	OND	ON M	ONEY	RATI	ES	

LONDON MONEY RATES								
May 23	Overnight	7 days notice	One Month	Three Months	Six Months	0 ne Year		
Interbank Offer Interbank Bid Stering CDs Local Authority Deps Local Authority Bonds Discount With Oeps Company Deposits Finance House Deposits Treasury Bills (Boy) Bank Bills (Bay) Fiste Trade Bills (Bay) SDR Linted Dep	16 11 ½ 12 ½ 13 — — — — —	12 / 12 / 12 / 12 / 12 / 12 / 12 / 12 /	111111 - 47-4-25 111111 - 47-4-25 111111 - 47-4-25 1111111 - 47-4-25 111111 - 47-4-25 11111 - 47-4-25 1111	11111 111181 57799	11. 11. 11. 11. 11. 11. 11. 11. 11. 10. 10	1124 1104 1116 1116 1101 1101 1101 1101 110		

Treasury Bills (sell); one-month 11½ per cent; three months 10½ per cent; Bank Bills (sell); one-month 11½ per cent; three months 10¾ per cent; Bank Bills (sell); one-month 11½ per cent; three months 10¾ per cent; three months 10¾ per cent; content and per cent; per

SWORD



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ì	FINANCIAL TIMES	FRIDAY MAY 24 199				
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	AUSTRIA May 23 Sdp + er - Austrian Airlines 3,250er Creditanstatt 3,400 -50	FRANCE (continued) May 23 Frs. + or Bongrain	SERMANY (coolings) May 23 Dec. + or - Colonia Vers	NETHERLANDS May 23 Fis. + of - AS If Ramy Melding 29, 20st +0, 30	Electrolist 5 Free	Kraser. + et 246mi +1
-		Source September Septemb	Colonia Versich Pf 649 -2 Commerchank 270 -2 Constinental AG 285.20 -0.90 DLW 600 +1 Daimise-Benz 717.50 Decitel (Fr) 143 +1 Degusta 349.80 -1.20	ACF Holding 42.20 +0.20 AEGON 119.10=0.70 Ahold 79= 0.40 AKZO 108.60: +0.30	Ericsson B Free Essette B Free Gambro B Free No of Den B Free Proceedia B Free Sanb Scarta B Free	148 _2 I
	EA General	Chargens	Deckel (Fr)	Bols Lucas 207 -2 50 Borsanal Welty D: 30.90 40.70 Bestmant Tell Ct. 53.40 40.20 Centrale Salker 05 -0.60 DAF 24.90 40.20 DSM 110 40.40 Dordtsche Petr 146 -0.70	Skandla Free	85 H 850 H
	BELEVINI/LUXUMBUURG May 23 Frs. + or -		Goldschmidt (THD 711 +5 Hamburg Elekt 192 Hamburg Lloyd 420 +18	Elsevier Op Rcts 86.30 +0.40 Folkter 33.30 +0.20 Garagna 100 -1.50 Gist Brocades 34.80 -0.20 Helmotes 152.60 -0.20	Trelleborg 6 Free	07 +1 119 +2 148 +5 118 -3
	ACEC-Union Min 2.420 +90 Arbed	Dodds de France 3.787 +7	Heebeled 1 439 419	Hoopovers 58.99 +1.00 Hunter Douglass 20.60 +0.90 HRC Calland 66 70 +2.50 Int. Rederland 51.70 Ltd Medicin 27.10 KLIM 27.10 KNP 50.80 +1		Ts. +er-
	Barto	Ef-Aquitaier Certs . 244, 90 -0.20 Esclier int	Nonclest	Neddloyd	Adia Ptg Cts	28 +1 ,125 +15 ,8 +1.50 ,160 +20
	Electrabel AFV 4.530 -330	Eurárance 1620 - 3 Eurárance 1620 - 3 Eurárance 1833 - 11 Eura Olsony 123.99 - 0.30 Eurostarche 4,150 + 130 Eurostarche 1,400 + 3 Fluence 1,400 + 3 Fluence 1,50 + 0.50 Font Lyonaeise 740 + 19 From C et Auv 2,171 + 121 GTM-Entrepose 465 + 49 Gal. Infayette 1,713 + 5 Gaussont (Soc N) 890 - 10 Geo Occidentale 764 - 6 Geophysique 176 - 6 Geophysique 199 - 5 sp	Kiockner Werke 150.80 +0.80 Lehmeyer 990 +7 Leiffreit 769 +9 Ligge 8084 -2	Oct V Grist	CS Hidgs (Br)	37 +2 100 +20 720 +20 340 -10 340 +10 950 -50
	Section Sect	Havas 498 -12	Listhania u/s Prf 116 -0.70 MAN	Rollinco	Eiviz 1 Fischer (Geo) 1 Fischer Pig 2 Forto 2 Holderbk (Br) 4 Holzstoff (Br) 6 Jelmoll 1 Jeignoll Pig Cts 3	450= +35
	Gechen AFV	Imm de France	Metalligeselectart 520st +3 Moreck Rock (Reg) 2,530 +15 PWA 279 +3	Wolters Klower 53.90 +0.40 MDRWAY May 23 Kroner + or	Jeissoli Pig Cis 3 Landis & Gyr 1 Landis & Gyr 1 Les Hold (Br) 1 Les Hold Ptg 2 Mag Globus Ptg 8 Millers (Oss)	72
	Power's AFV	Intertechnique 1,090 +24 1,744 3,961 +7 1,744 3,961 +7 1,744 1,744 3,961 +7 1,744 4,744 4,744 5,724 4,744 4,	Rhelanetail Berlin 323 +0 Rhelanetail Berlin 323 +0 Rhelanetail Pri 230 -3.50 Rhelanetail Pri 230 +3.50 Rhelanetail Pri 331.70 +4.90 Rhelanetail Rhelaneta	Aktr A Free	Materoa (Regi 4 Motor-Columbus 1 Nestle (Regi 6 Nestle (Regi 6 Parges Hid 1 Piretii 3	70 450 -20 450 -20 550 -50 55 -10 270 +10
	Solvey 13,300 +200 Tessenderto 6,880 +30 Tessenderto AFV 6,710 -190 Tractebel 8,400 +50 Tractebel AFV1 8,100 -50 UGB 17,975 +250	Merfin-Gerin 509 -6 Michelia B 95.90 +0.40 Moutloex 1317 -6	Stateman STA Constitution Stateman Stateman	Kvarroer Free	Pirelii 3 Richemost 1 Roche (Br) 1 Roche (Br) 2 Roche (Genss) 4 Sandoz (Br) 2 Sandoz (Pt Cls) 2 Sandoz (Rog) 2 Schladler (Br) 5 Schladler (Br) 1	75
•	UCB AFV	Orsen 203.50 44.70 Parities 468.50 -7.40 Parities 203.6	Veba 360.50 -0.80 VEW 209 -1 Verein-West 320.50 +1.50 Viag 365s -0.30	Morsk Hydro	Surveillance (Br) 7	.930 +86 35 -5
	May 23 Kr + er - 8altica Holding Reg _ 753 81kuben _ 325 -1 Carisberg A _ 1590	Pachetbrons 1250 -47 Persod Ricard 1170 +19 Persod Ricard 1470 -33 Pengect 571 +2 Plannik 331.50 -3.60 Poliet 444 -10 Printemps (Au) 632 -10 Promodes 2,080 +10	Vollswagen	Stori B	Swiesair 3 Swiss Bank (Br) 3 Swiss Bank Ptg 2 Swiss Reins Ptg 5 Swiss Reins Ptg 5 Swiss Volletis 3 Union Bank Br 3 Union Bank Ptg 1 Winterthur 3 Winterthur Ptg 7 Zwisch 18	28 +0 99 +3 910 +30 56 +2 405 -3 720 +20
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	Lagrifica CJ B 1.490 +10 NKT A/S	Sages	may 23 Banca Cooms 4,615sl 4146 Banca Nax Agric 7,330 +490 Banco Lariane 5,890sl -10 Battopi-I R B 5 5,890sl -10 Cancatter 2,470 +45 Censette 2,229 +1 Cigalbetal 2,270 +15 Credite Italiano 2,479sl +15 Credite Italiano 2,479sl +15 Credite I 491 15 Eridania 6,910 +123 Ferrazzi Fia 2,235 +131 Fiat 5,699 499	Banco Exterior	SOUTH AFRECA	Ti
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	FRANCE May 23 Frs. + er - Accor	Altanar AG	Pirelli & Co		Mathold	55 -635 . S
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	Begins Say Cert Ind 525 -4 JAPAN	May 23 Yes + er -	May 23 Yes + or -	Astra B Free 620sl +9 Atlas Copco B 222 +2 New 23 Yes + sr	Western Deep 11 AUSTRALIA (continue May 23 As	10 -2 P2
1	Ajinometo	Japan Radio 2,640 +10 Japan Sted Works 817 +49 Japan Steage Batt 869 +29 Japan Syn Rather 666 +16 Japan Woot 1,1740 July Paper 1,1740	Illinetta Fing	Tatyo Fishery 493 +23 Taiwaoka Electric 1,200 +20 Taiwao Shatzon 850 +1 Taiwan Shatzon 850 +1 Taiwahimaya 2,030 -70 Taiwahimaya 2,030 -70 Taiwahimaya 1,110 -10 Taiwah Selyaku 1,110 -10 Telijin 569 +0 Telboku 001 995 +12 Telboku 001 995 +12 Telboku 1200 +120	Minproc	
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			Nitto Beseki 627 +7 Nitto Desko 1730 -30 Norman 2160 +50 Noritake 1,460 -	Toson Corp	Hang Ling Dev 7. Hang Seng Bank 27 Harbour Centre 7. Henderson law 2. Henderson Land 11	57 +0.01 1.70 -0.30 25 -0.10 25 -0.20 25 -0.03 26 -0.50 1.70 -0.20
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- 6	Design Ministry Co. 723 +20 Design Corp. 1,630 +20 Design Class 1,160 +30 Design Construction 865 +26	Harvi 2200 +10 Harvichi Steet 1,760 -10 Harvichi Steet 1,760 +20 Hrabita El Wr. 1,650 +20 Hrabita El Wr. 2,000 -50 Hrabita Refrig 1,050 -50	Oneda Cemest 709 #30 One Pharm 4,050 -40 Oneart Kashiyama 1,780 -20 Orient Carp 1,140 +50 Orio Corp 3,380 #30	Watcol	IN Spessor HK Land B. HK Resity & Tr A. 5.3 HK Telecton 6.1 Hopewell Hidgs 4.1 Hutchison Wpa 15 Jardine Math Jardine Math Jardine Strategic 18	330al -0.30 250al -0.30 25 +0.05 27 -0.05 27 -0.25 28 +0.10
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***** G	Felleyra	Interests 171 +6	Ricoh 7799 +4 Royal Co 1,910 -50 Ryyal Co 676 -7 Sanden 745 +13 Sandop 2,390 +40 Sanrio 3,600 +50 Sanrio 820k 2,360 +20	Volunisma (Bant) 1.300 —30 Volunisma Rather 815 —2 Yomismi Land	SHIK Props 14 Shaw Bros 4 Shell Elec Mfg 1. Shell Elec Mfg 1. Stone Darby 6 Sow Hway Kal Co 2 Swire Pacific A 19 Swire Pacific B 3 Tele Broadcast 7 What Holdings 9,1	20 -0.15 10 -0.02 1.10-0-0.40 20-0-0.05 40.05
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34 H	Itachi Maseti 2,030 -60	# high Petchers 940 421 M high Petchers 1230 410 410 411 410 4	Shoug Alemhieu _ 973 +38 Shoug Denko 496 +1 Showe Elet Wire 861 +20	Brierley loss 0.98 -0.01 Bundaberg Sugar 3.85 Burus Philip 3.23 +0.07	SINGAPORE May 23 \$\$ Cold Storage 3.0	
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			Stanten Electric 736 -7 Southenn Balette; 730 +21 Southenn Sank 2,420 -20 Southenn Centest 719 +38 Southenn Centest 436 +21 Southenn Centest 436 -41	Consader 0.85 Dominion Mng 0.84 +0.03 Energy Res 1.44 +0.01	lochage 4.1 Kepnel Corp 7.9 OCBC 11 OUB 5.3 S'port Air Free 19 Singapore Press 8.9 Straits Trading 2.6 Tai Lee Bank 3.4	
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2.4	2 Yelledo	Hapatakiya	Sunitono Matal Int 502 +9 Sunitono Hetal Hoy 1,350 +30 Sunitono Realty 1,150 Sunitono Tr&Ett 1,750 +10 Sunitono Tr&Ett 1,750 +43	Hardle (1)	Price data supplied by NOTES Prices on th	

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						IND	ICES		_						
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	129.06 1129.23	1143.34	(9/5) 1202.57 8	16/1)	(9/2/87) 1532.01	1/10/81)	Creft Atties (30/12/80) BELGAVAL		13.81	503.03	502.45		534.81 DA/40		05/23
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NASDAQ Composite 487.29 4	83.60 480.10	481.38	511.31	14/1) (0 55.75	10/10/89/ 511.31	(9/12/72) 54.87	SEQ OWELF (4/1/88)	13	99.12	1394.77	1402.82	1400.92	152A,65 (15/3)	1114.8	6 (25/1)
					17/4/91)		Banca Com. Rul. (1972)		A1.41	573.33	564.92	573.35	602.64 (19/4)	485.20	(29/1)
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	May 15	May 8	May	1 ye		(approx.)	2nd Section (4)1,680 MALAYBEA		229.4	3239.22	4.10	3266.23	3123.45 (10/5)		2 (24/1)
S & P Inhistrial div., yield S & P Indi., P/E ratio	2.86 18.97	2.78 18.53	2,78 18.57		25 15.		XLSE Companier (4/4)86) METHERILANDS		11.57	592.76	584.29	583.45	611.57 (23/3)		. aeu
NEW YORK ACTIVE	STOCKS	TF	ADING A	ACTIVI	ΤΥ		CBS Tel.Rin.Ges.(End 1983)		198.3	277.9 198.4	277.0 197.8	9	280.1 (10/5) 202.8 (10/5)		06\D 06\D
Stocks C	fouing Chang price on de	pa 1	Volume	May 22	Million		NORWAY Odo SE OHO COLORS POSILEPPINES	70	52.56	765.29	768.98	ы	790.41 (13/5)	610.45	(21/1)
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	84 - 17 042 + 3	IUS	DAQ	9,947 (u)	166.4	51 125,392	SES ALI-SIMPLE QUATS	4	15.85	414,87	412.82	414.10	422.43 (26/0	315.07	(16/1)
Comp Assoc 2,214,600 USX-Marathon 2,101,400 Saatchi Co 2,090,800	84 + 4 254 + 5 1 - 4	Rhe		2,056 762 785	9	51. 2,047 25 694 32 837	JSE Gold (28/9/78) JSE (adustrial (28/9/78)		83.04 584.0	1200.0 3582.0	1173.0 3547.0	1138.0 3547.0	1367,0 04/13 3584,0 (23/5)		(25/2) (16/1)
Part Arts Ca 2,015,900	H . 5	Unc	kanged Highs	508 47	4	516 52 39	SOUTH KOREA** Kerez Comp Ex. (4/1/808		24.89	624.32	(d)	628,71	697.62 (A/I)		06/D
Company Cost 1,782,800	364	New	Lows	14		16 9	SPAIN Mairil SE (36/12/65)		5,98	284.69	285.47	286.07	289.22 (18/3)		04/15
							SMIEDEN Affärsärken Ges. (1/2/37)	107	73.70	1069.80	1074.70	ы	1119.0 CB(3)	B08.4	(8/1)
CANADA TORONTO May	May	May M	sy		991		Swiss Bank Ind. CU/12/58	, 7	146.8	745.8	740.2	14	746.8 (23/5)	590.4	(14/1)
22 Metals & Minerals 2984	21	20 1	7	HGH 18 (5/3)		LOW 2.06 (9/2)	SBC General (1/4/87) TASWAN**		25.9	624,6	614221	4c)	625,9 (23/5)		(IA/I)
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MONTREAL Portfolio 1824.		(c) 18		19 (5/3)	-	6.89 (9/1)	Bangkok SET (20/4/75) WORLD		00.73 06.0°	792.08	804.83	813,78	908.13 09/0		GEAD.
Base values of all Indices are 3	00 except NYS	e All Com	mon=50; St based 1975	andard an and Most	o Poor's real Port	= 10; and folio 4/1/ sed. (e)	A Subject to official reco Base values of all Indices JSE 26 Industrials 264	or May 7	8. Tab	506.7 may Web	506.7 Price:	503.0 5982.26 K	529.2 07/49 orea Comp Ex. 6	36 38	<u>aem .</u> _

CANADA

TOKYO - Most Active Stocks Thursday 23 May 1991

EQUIPMENT

The FT proposes to publish this survey on June 12th 1991.

The FT is read by 54% of Chief Executives in Europes top 2000 companies. If you want to reach this important audience, call Philip Dodson on 071 873 3389 or fax 071 873 3062

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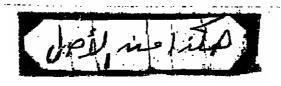
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or Andrew Taylor in Frankfurt Phone 49 - 69 - 7598118 Fax 49 - 69 - 722677

FINANCIAL TIMES



NYSE COMPOSITE PRICES	NASDAQ NATIONAL MARKET 3:00 pm prices May 23
NYSE COMPOSITE PRICES NITE DATA TO THE PRICES	
Company 62 17 385 284 285 285 284 284 284 284 284 284 284 284 284 284	Contributed 1.05 of 10 10 10 10 10 10 10 10 10 10 10 10 10

UTOMATIC 'S

AMERICA

Economic figures prove mixed blessing for Dow

to a "strong buy".

NYSE volume

tem-wide capacity - the num-ber of aircraft, hubs and routes

Wall Street

THE STOCK market remained stuck in a narrow trading range yesterday morning, but then share prices began to fall in the wake of some amhiguous economic news, writes Patrick Harmerson in New Yorks rick Harverson in New York.

At 1.30 pm the Dow Jones Industrial Average was down 21.02 at 2,889.31. The more broadly based Stendard & Poor's 500 was also a touch lower, down 1.06 at 375.13 at 1 pm, while the Nasdaq composite of over-the-counter stocks held on to its gains and was up 1.73 at 489.02. Turnover on the New York SE was 109m shares, and declining issues outpaced advancing issues by

The day's economic figures were e mixed blessing for the market. A 2.9 per cent increase in April durable goods orders was seen as mildly encourag-ing, especially as it included signs of strength in the manufacturing sector. However, non-defence orders fell by 10.3 per cent during the month, an indi-cation that the recession is by

no means over. With such conflicting evidence on the state of the economy, analysts said that investors were likely to keep their heads down for the immediate

. Among individual issues, UAL shares rose \$2% to \$145%

ASIA PACIFIC

Bombay slips on widow's refusal

50 9 10 13 14 15 19 17 20 21 22 23

Other stocks in the airline

over, with USAir up \$1/4 at

\$16%, Delta \$% at \$70%, and AMR, parent company of American Airlines, \$% at

Orion Pictures, which declined earlier in the week on

news of fourth quarter losses

and a debt restructuring pro-

May 1991

SHARE PRICES gyrated on the Bombay Stock Exchange (BSE) yesterday, after the assassina-tion on Tuesday of Mr Rajiv Gandhi, the former prime min-leter, writes R.C. Murthy in

Bombay, The news that Mrs Sonia Gandhi, Rajlv's widow, had refused to lead the Congress party came at the close of trading. The 30-share index lost an early gain to end 5.65 down at 1,314.89, and share prices fell further after hours. The mar-

ket will be shut today. Trading had begun hesisure on Wednesday, but state-ments by the International margins were Tata Steel,

Monetary Fund and the World Bank, assuring continued sup-port for India'e economic restructuring, gave shares an early boost. The index, which had opened 25 points lower, advanced to a five-week high of 1,321.88 by midsession, before receding at the close. Interest focused on five

stocks, including ACC and Reliance Industries, whose chief executive is linked to the Congrees party. Yesterday evening the BSE lifted cash margins to 20 per cent from 15 on sales and purchases, to moderate the swings. The

in worse chape than originally disclosed. it runs - would reach an all-time high this August. The atock was further boosted by Digital Equipment, which has won a Navy contract worth up to \$140m, edged \$1/4 higher an upgrade from Bear Stearns the hroking house, which raised its rating from a "huy"

Centocor climbed \$1% to \$69 in hrisk trading after the com-pany's Centoxin drug wae approved by authorities in the UK and Germany, and the harmaceuticals analyst at Kidder Peabody reiterated his buy recommendation.

gramme, plummeted \$1% to \$4% yesterday on reports that the film studio's finances are

Canada

TORONTO stocks fell from their session highs by midday. The composite index was up 0.9 at 3,448.9. Declines led advances by 205 to 191 on vol-ume of 12.9m shares. Laldlaw bounced up C\$1

after sliding C\$% on Wednes-day on continuing reports of contamination problems at the company's Mercier, Quehec, hazardous waste site. Laidlaw said late on Wednesday that sector were also higher on a feeling that the worst of the slump for domestic carriers is clean-up coets for huried

wastes would not be material. Deprenyl Research, the drug company, continued to climb, rising C\$% to a 12-month high of C\$20. Xerox Canada class B shares gained C\$% to C\$22 after Xerox Corp said it had signed a letter of intent to sell the Canadian unit to General Accident Assurance of Canada

Gujarat Ambuja and Grasim. Earlier in the week, the market had been enthused by Monday's elections, the first of the three phases of the poils. The Congress party was expec-ted to win nearly half of the Lok Sabha (lower house) seats, enabling it to form a goveroment with the support of splin-

phases, due yesterday and on Sunday, have been postponed until June 12 and 15. Share values forged ahead on Tuesday, with the index gaining 36 points to 1,320, only to fall back in kerb trading on Wednesday following the assassination.

ter groups. The other two

Poor first-quarter results and slack demand are to blame, writes Antonia Sharpe

Recovery in Europe's chemical sector fades

HERE HAS been some drama to the chemical industry of late, with Hanson taking a stake in ICL while the "big three" German companies have attracted demand in the run up to their dividend payments. Overall, however, the sector seems to have lost its recent fizz.

Deteriorating conditions in the petrochemical and plastics markets have interrupted the recovery this year in continen-tal European chemical shares. and threaten to sentence the sector to a summer of underperformance, analysts warn. Last November, many shares had fallen to their lowest level relative to their local markets since 1980 and were only pre-vented from declining further

hy their generous yields - the Dutch chemical company DSM. for example, wes yielding nearly 10.5 per cent. Since then, many chemical shares have outperformed their local markets as investors have

piled back into what they regarded as a grossly oversold ctor. The petrochemical industry managed to raise

was nearing an end. By April 25, BASF, which has the biggest exposure to bulk chemi-

Major European Chemical Companies Share price relative to Local Markets 1980 81 82 83 84 85 86 87 88 89 90 91 n Chemical Najons: L'Air Llquide, AKZO, BASF, Beyor, BOC, Cibe-Geigy, Hoe Goldman Sachs enelysis

prices to cover the initially sharp increase in the cost of oil and naptha that resulted from the Gulf crisis.

The sector's recovery in the first four months of this year was helped by the rally in the dollar, the quick finish to the Gulf war and the consequent decline in oil prices, and expectations that the US recession

cal majors, had outpaced the DAX index by 8.3 per cent, while DSM, a purer petrochemical play, had risen 15.1 per cent against the Dutch CBS general index by April 8.

Both shares, along with the rest of the sector, have since retreated as the chemical companies have announced poor results for the first quarter. It is apparent that the Gulf crisis created a false market

cals among the German chemi-

for petrochemical and plastics products, and that underlying demand is slack. Falling oil and naphtha prices have led to a reduction in inventory levels, price erosion and declining profit margina. The market'e fears have been confirmed by Mr Jürgen Struber, the chairman of BASF, who warned recently that a return to normal order levels for plastics was not anticipated before the and of this mar. end of this year.

According to Mr Tony Cox of

Kleinwort Benson, the contract prices of major products have fallen by up to 42 per cent since the start of 1991, with a shift the start of 1931, with a charp decline occurring in recent weeks. He believes that bulk chemical prices and mar-gins will continue to fall, with the pressure easing at the start of 1992 at the earliest as the balance between eupply and demand is re-established Mr Charles Brown at Goldman Sachs is concerned that several chemical shares seem

to have recovered too far, too soon. He fears that while there could be a recovery in the US and UK economies, demand

will be singuish in commental Europe. Furthermore, he forecasts that a flood of new capacity in the petrochemical industry and weak trading conditions could prevent a recovery in product prices until well into 1992.

The period in chamical mill well into 1992.

The revival in chemical shares is unlikely to resume before the second quarter's results, which are expected to show further deterioration. However, the dividend yield should provide some downside support for elars prices. Mr. support for share prices. Mr
Cox notes that fiscal considerations should encourage BASF,
for example, to maintain its
dividend in 1991 by using its
retained earnings amassed

will be sluggish in continental

before 1990.

Mr Brown favours Akzo, the Dutch chemical company, as a recovery play. After cutting its dividend in 1990, the company should be able to rebuild its earnings, helped by cost-cutting measures, he says. Bayer, the German chemical major with the lowest exposure to with the lowest exposure to bulk chemicals and an important healthcare division, is

International bargain hunters spotted in Milan

THERE WAS A suggestion that international bargain hunters were on the prowl in Europe again yesterday, and that Italian stocks were in their sights. writes Our Markets Staff.
MILAN rose on demand for

Fiat, which inspired foreign buying of other blue chips. The Comit index added another 8.08 to 581.41 in volume estimated at higher than Wednesday'e

Fiat rose less than 1 per cent, L49 to L5.699 at the official close, on its maintained dividend and new share buyback programme, but it drew attention to Italy's laggard status among European markets

There were better gains later for Olivetti, up L140 at L3,840, and Ferruzzi Finanziaria, L131 better at L2.335. A foreign taste for telecoms was seen in Sirti and Stet, which put on L349 to L11,599, and L55 to L2,155,

respectively. Among banks, BNA rallied 7 per cent, or L480, to L7,330, on speculation that the financially

FT-SE Eurotrack 100 - May 23 Hourly changes Open 16 em 11 am Noon 1129.49 1129.14 1128.43 N/A 1 pm 2 pm 3 pm Close 1130.81 1130.82 1132.68 1132.62

Day's High 1133.04 Day's Low 1127.88 May 22 1131.74 May 21 1123.75 May 15 1112,66

tive. Federconsorzi, would be forced to sell its 13 per cent FRANKFURT saw the FAZ index 1.95 lower at 693.23 in midseseion, but registered another 1991 high for the DAX, which closed 5.02 up at 1.652.71. Volume eased from DM11.4bn

troubled agricultural co-opera-

Dresdner's Mr Ruediger Eich said that the bank had recommended the market three or four weeks ago on the prospect of economic improvement in e second half of this year. This week's sudden gains, he said, might have been trig-gered by interest rate hopes,

and President Bush's optimism about the US economy which is good news for German export prospects in 1992.

The renegotiation of Soviet homehuilding contracts helped constructions firm again, with Billinger & Berger up DM25 at DM935 and Holzmann DM35 at DM1,560. In carmakers, hopes that Daimler would ingest its Marcedes associate were considered an old story; it was a switch based on valuation criteria, said Mr Eich, which left Daimler flat at DM717.50 and Mercedes another DM9 better

at DM586.50. PARIS ended near its day's low on the last day of the monthly account, following a fall in bond prices. The CAC 40 index lost 17.42 to 1,813.71 as turnover rose to about FFr2.8bn from FFr2.15bn.

The day's most active stock was LVMH, the luxury goods group, which closed FFr7 higher at FFr3,961 on volume of 52,460 shares worth about FFr207m. in earlier trading the stock reached a 12-month high of FFr4,018. The company denied rumours that it was planning a rights issue.

Havas, the media group, lost FFr12 to FFr498 after forecasting unchanged profits for 1991. Bon Marché, the retailer, was suspended at FFr824; after the market closed it announced a reorganisation involving its subsidiary, Conforama, which was suspended at FFr894.

HRISINM rose 1.9 per cent

on speculation that the markka is to be linked to the Ecu. The Hex index gained 19.9 to 1,059.2 in turnover up from FM18.2m to FM22.7m, of which FM9.2m was free shares.

BRUSSELS rose in busy deal-

ings on the first day of the new trading account. The Bel20 index, however, finished 4.45 lower at 1,167.82 after several

shares went ex dividend.
Solvay, the chamical company, continued to henefit from the news of its joint mar-keting plans with Upjohn of the US, rising another BFr200 to BFr13,300. Solvay also announced a joint venture with Kyowa Hakko Kogyo of

Japan: MADRID firmed in response to a fall in one-year Treasury bill rates. The general index added 0.94 to 285.63 in turnover-of about Ptal8im after Wednes-

day's Ptal7bn.
The banking sector was strong, with Santander up Ptal30 at Pta5,650 and BBV rising Pta35 to Pta8,425 in active trading of 838,734 shares.
ZURICH inched up to a high for the year, the SBC general for the year, the SBC general index closing 1.3 up at 625.9 in volume similar to Wednesday's SFr4.8m. Sandoz bearers, split into five, rose to SFr2,490 from an adjusted SF12,420.

Arbitrage and broking campaign lift Nikkei

Tokyo

ARBITRAGE bnying and efforts by Japanese brokerages helped the Nikkei average to rise yesterday for the first time in four days, writes Emiko

Terazono in Tokyo.

The average closed 244.99 higher at 25,643.65, after a day's low of 25,350.83 and a high of 25,721.27. Arbitrage unwinding depressed the Nik-kei in the morning, but strength in the futures markets triggered huying later in

Volume increased from 260m to 370m shares, the heaviest level since May 1. Advances led declines by 598 to 335, with 175 issues unchanged. The Topix index gained 15.30 to 1.948.87. Nikkei 50 index firmed 1.34 to

Cash positions on June arbitrage contracts at May 17 rose to a record Y1.17bn. Traders said thet, while there was con-cern that arbitrage unwinding before the expiry of the June futures contract could depress the cash market, arbitrageurs had been rolling over into Sep-

tember contracts.

profits, announced after the market had closed, showed a 16 per cent rise. Akai Electric put on Y50 to Y1,150 on hopes of an 85 per cent jump in pre-tax profits and rumours of specula-

Morinaga Milk Industry was actively traded, rising Y22 to Y751. Rumours that it bad earnings news. Sanyo Coca-Cola rose Y70 to

A sales campaign by the Jap-

their profit margins.
Sony, which fell on Wednesday on earnings rumours, rallied Y260 to Y5,960. Its pre-tax

volume, but traders said that once it was over, turnover would falter again. Hitachi Zosen climbed Y30 to Y675 and Nisshin Steel Y40 to Y781 on brokers' recommendations.

Cable and wire companies rose on strong earnings fore-casts, with Fujikura advancing Y30 to Y1,100, Furukawa Y30 to Y839 and Mitsubishi Cable Y27 to Y1,020. Sharp falls in copper prices are expected to improve

developed an Aids drug attracted individual investors. In Osaka, the OSE everage added 26.82 at 28,149.37 on volume of 35m shares, up from 20m. New Japan Chemical moved ahead Y60 to Y1,230 on

Y2,540 on plans to redevelop

nt sites in western shopping centres, and after its tie-up with a restaurant chain.

Roundup SENTIMENT was mixed in the

Pacific Basin with Hong Kong and Kuala Lumpur, in particu-lar, showing a tendency to move hard and fast. HONG KONG plunged and then rallied after the failure of

the airport talks. The Hang Seng index recouped more than half of a 105-point moroing drop to close 47.83 or 1.2 per cent off at 3,778.79, making a three-day loss of 3.5 per cent. Turnover expanded from HK\$1.32bn to HK\$1.57bn, Properties took heavy losses, followed by utilities and the commercial and industrial sector.

KUALA LUMPUR acceler ated Wednesday's gains, with the KLSE composite index rising 18.81 or 3.2 per cent to 611.57, its largest single-day gain since October.

Speculation that Malaysia's national retirement fund might soon be allowed to increase its equity holdings prompted further index-linked huying, and traders saw a continued Telekom Malaysia, the big-

jumped M\$1.05 or 11 per cent to M\$11, principally because of a brokerage report suggesting that the telephone monopoly may not pay taxes in 1992. SINGAPORE's Straits Time

industrial index, weighted towards hive chip Singapore companies, rose 7.41 to 1.532.44. As in Malaysia, the increas in Singapore's weighting in the FT-Actuaries Pacific Basin (ex Japan) index generated specu-lation that equity funds linked to the index would raise their

holdings in the two countries.

BANGKOK was another winner, the SET index gaining 8.65 to 800.73. AUSTRALIA's All Ordinariee index shed 9.4 to 1,432.0 on a drop in the Australian dollar and NEW ZEA-LAND ended a six-day rally with the Barclays index 14.78 lower at 1,540.26.

SOUTH AFRICA

gains in Johannesburg yester-day, as gold ahares slipped on profit-taking and a fall in the hullion price. The industrial index hit another record of

This 72-page brochure provides an overview of IMD'e recent research and development activities.

Vision, Strategy and

Change - three key

our industry partners.

Our current project

portfolio includes: - Manufacturing

Report

R&D Competitive

Functional

Interaction

Dynamics

Corporate

Covernance

Society and Corporations - Family Businesses

- Services Management

Managing the Environment Central-Europe and the Soviet Union

In addition, over 30

projects are in progress.

Managing External

themes guide our INDUSTRIAL stocks held their multi-disciplinary research projects with

3.584, up 2, while the all-gold index eased 17 to 1,183.

now we conaborate with industry to develop effective management programs that will work

FT-ACTUARIES WORLD INDICES Management Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the institute of Actuaries and the Faculty of Actuaries Development 2000 World Competitiveness

NATIONAL AND DEGIONAL MARKETS | Index | Inde 123.54 123.84 147.30 176.75 177.48 222.37 122.19 119.38 151.20 121.84 113.88 141.10 215.13 215.14 270.56 101.03 95.98 125.15 122.52 125.45 152.25 125.45 152.25 140.84 153.31 161.77 138.32 138.02 182.46 67.85 72.15 88.23 122.24 119.30 148.97 203.14 242.77 247.78 834.84 3252.31 295.27 123.76 122.36 145.73 47.57 48.28 144.58 130.42 171.12 183.78 123.24 171.12 183.78 184.51 100.67 153.72 147.51 187.44 135.23 151.97 158.24 19.09 120.98 124.13 121.82 155.08 157.51 181.51 157.20 117.75 119.61 122.72 120.09 118.59 120.46 123.58 121.67 129.95 132.02 135.48 149.77 102.30 103.94 106.85 107.29 124.30 125.29 129.57 129.35 119.65 121.53 124.71 122.48 120.19 122.10 125.28 130.26 122.14 124.08 127.31 131.70 126.54 128.56 131.91 138.74 124.03 181.40 182.79 123.81 134.94 106.07 128.56 124.67 124.73 126.91 131.18 +0.0 +0.2 faculty research

The World Index (2290)... 142.68 -0.3 122.52 124.47 127.71 131.87 +0.0 2.62 143.05 122.13 124.25 127.29 131.83 149.01 123.28 147.01

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To be relevant, executive education cannot be developed in a vacuum. That's why IMD works with industry in researching the needs of international management practice today Enhancing Cross-

Our approach is one of close collaboration, linking strategy with practice, boardrooms with classrooms, and functional expertise with general management

In 1990 alone, 150 senior executives from industry, IMD faculty and staff spent over 10,000 man-days on

research projects with direct impact on the quality of our programs and on management performance.

Manufacturing 2000 and Services Management are two examples where companies from around the world commit to on-going research by contributing time, expertise and financial backing.

At IMD, teaching is also learning. And learning is sharing. That's how management development works best, not only for you, but also for us.



For a copy of Equations for Change and our 1991/1992 Program Portfolio, write or call Anita Renaud, Room 101, International Institute for Management Development (IMD), P.O. Box 915, 1001 Lausanne, Switzerland. Tel.: ++41216180111. Fax: ++4121266725. Th:: 455871.

